



Annual Financial Report  
June 30, 2019

**Evergreen School District**

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# EVERGREEN SCHOOL DISTRICT

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JUNE 30, 2019

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Evergreen School District  
San Jose, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Evergreen School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Evergreen School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability and related ratios, and the schedule of pension contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the accompanying supplementary information are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Saelly LLP".

Palo Alto, California  
December 15, 2019



This section of Evergreen School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## DISTRICT PROFILE

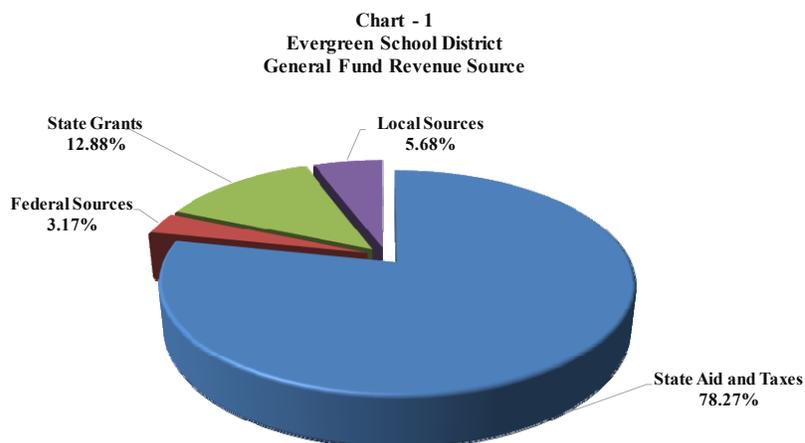
Evergreen School District (the District) was formed in 1860 and is one of the oldest school districts in Santa Clara County. The District is located along the Mount Hamilton mountain range in the southeastern part of San Jose and extends West Highway 101 and North Tully Road. It encompasses an area of approximately 32 square miles and has an estimated population of approximately 90,000. The District has fifteen elementary schools and three middle schools. The Average Daily Attendance in 2018-2019 was 10,502, a decrease of 523 ADA from 2017-2018.

All of our eighteen schools have been identified by the California State Department of Education as California Distinguished Schools and several have achieved this recognition multiple times. Twelve have also been identified by the United States Department of Education as National Blue Ribbon Schools.

## FINANCIAL HIGHLIGHTS

Local control funding formula is the largest component of the District's General Fund budget. The District received a basic allocation per unit of average daily attendance (ADA) of \$9,184 which is an increase of \$596 per ADA or an increase of 7% from the 2017-2018 funding level.

The General Fund also received funds from various State, Federal and other local programs. (See Chart - 1).



# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### 2019 RESULTS OF OPERATIONS

#### Major Governmental Fund Statements

##### General Fund

The District's General Fund revenues, excluding Special Reserves Fund for Retiree Benefits, was higher than expenditures by \$2,597,171. The unrestricted General Fund ending fund balance was \$27,893,532. Of this amount, \$26,956,205 is unassigned but reserved for economic uncertainties. By way of comparison, the unrestricted ending fund balance at June 30, 2018 was \$18,154,372, thus the District has increased its available reserves by \$8,801,833. These reserves are inclusive of the Special Reserve Fund for Postemployment Benefits.

##### Building Fund

The District's Building Fund balance has decreased by \$11,697,164 to \$28,166,697. The decrease resulted from the construction project incurred during the current year.

##### Bond Interest and Redemption Fund

The District's Bond Interest and Redemption Fund balance has decreased by \$232,984 to \$14,160,022. The decrease was the result of payments of interest and principal exceeding tax revenues.

#### Non Major Governmental Fund Statements

The non-major governmental funds financial statements are displayed in this annual report in the supplementary information section.

##### Cafeteria Fund

The District's Cafeteria Fund balance has increased by \$110,142 to \$371,354.

##### Deferred Maintenance Fund

The District's Deferred Maintenance Fund balance has increased by \$72 to \$3,599. The increase represents the interest revenue received.

##### Capital Facilities Fund

The District's Capital Facilities Fund balance has increased by \$732,214 to \$1,706,631. The increase was due to the developer fee collections exceeded construction expenditures.

##### Mello Roos Debt Service Fund

The District's Mello Roos Debt Service Fund balance has increased by \$16,107 to \$762,203. The increase resulted mainly from the interest.

# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's General Fund budget, both the adopted and final version, with year-end actual.

#### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position the difference between the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, we provide reconciliations between the Government-wide financial statements and the fund financial statements that explain the relationship (or differences) between them.
- *Proprietary Funds* – Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**EVERGREEN SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's *combined* net position was a deficit \$43.63 million at June 30, 2019, a decrease of \$1.42 million from 2017-2018. However, without the effect of these long-term items, our unrestricted net position include a \$0.62 million board committed amount to fund the postemployment benefits, and \$26.96 million earmarked for economic uncertainty. (Board committed, assigned and reserved for economic uncertainty are reported as unrestricted in the Statement of Net Position). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use the net position for day-to-day operations.

**Changes in Net Position**

The results of this year's and previous year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the statement and compares the current and prior year revenues and expenses. The comparison includes depreciation expense allocated to each function. The amount of depreciation allocated is detailed at Note 5 to the financial statements. Table 3 further analyzes the cost of the District's largest functions, net of revenues, grants and contributions generated by the activities.

	Governmental	
	2019	2018
Current and other assets	\$ 83.73	\$ 91.18
Capital assets	197.02	191.19
<b>Total Assets</b>	<b>280.75</b>	<b>282.37</b>
Deferred amount on refunding	0.84	1.03
OPEB	0.76	1.18
Pension activities	30.55	34.04
<b>Total Deferred Outflows of Resources</b>	<b>32.15</b>	<b>36.25</b>
Current liabilities	19.84	17.73
Long-term liabilities	318.47	328.01
<b>Total Liabilities</b>	<b>338.31</b>	<b>345.74</b>
OPEB	3.04	2.34
Pension activities	15.18	12.73
<b>Total Deferred Inflows of Resources</b>	<b>18.22</b>	<b>15.07</b>
Net Position		
Net investment in capital assets	54.08	53.29
Restricted	17.85	20.25
Unrestricted		
Board committed	0.62	4.76
Reserved for uncertainty	26.96	3.46
Unassigned	(143.14)	(123.97)
<b>Total Net Position</b>	<b>\$ (43.63)</b>	<b>\$ (42.21)</b>

*Note: Totals may not add due to rounding.*

**EVERGREEN SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Governmental Activities**

As reported in the Statement of Activities, the cost of all of our governmental activities for the current year was \$147.42 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$127.83 million because of certain grants and contributions along with charges for services that financed a portion of those expenses.

Major funding sources for governmental activities included charges for services to those who benefited from certain programs of \$1.71 million; operating grants and contributions from Federal and State agencies, and other local organizations of \$17.88 million; Federal and State Aid, including Local Control Funding Formula (LCFF) funding of \$43.77 million.

For the prior year, the cost of all of our governmental activities was \$140.10 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$120.85 million.

For the prior year, major funding sources for governmental activities included charges for services to those who benefited from certain programs of \$1.71 million; operating grants and contributions from federal and state agencies; and other local organizations of \$17.55 million; Federal and State Aid, including LCFF funding of \$42.2 million.

	2019	2018	Changes
<b>Program Revenues:</b>			
Charges for services	\$ 1.71	\$ 1.71	\$ (0.00)
Operating granting and contributios	17.89	17.55	0.34
<b>General Revenues:</b>			
Federal and state sources	43.77	42.20	1.57
Property taxes	72.91	71.08	1.83
Other general revenues	9.73	3.39	6.34
Total Revenues	<u>\$ 146.00</u>	<u>\$ 135.93</u>	<u>\$ 10.07</u>
<b>Functional Expenses:</b>			
Instruction and instruction-related activities	\$ 103.07	\$ 98.20	\$ 4.87
Home-to-school transportation	1.45	1.44	0.01
Food services	3.71	3.58	0.13
All other pupil services	3.59	3.28	0.31
Administration	5.05	4.51	0.54
Plant services	8.45	8.56	(0.11)
Interest on long-term obligations	7.85	8.30	(0.45)
Other outgo	4.79	2.65	2.14
Depreciation	9.46	9.60	(0.14)
Total Expenses	<u>\$ 147.42</u>	<u>\$ 140.12</u>	<u>\$ 7.30</u>
<b>Changes in Net Position</b>	<u>\$ (1.42)</u>	<u>\$ (4.19)</u>	<u>\$ 2.77</u>

*Note: Totals may not add due to rounding.*

# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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Table 3 presents the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was required to support primarily by state LCFF revenue sources and local property taxes.

	2019	2018	Changes
Instruction and instruction-related activities	\$ 88.69	\$ 83.71	\$ 4.98
Home-to-school transportation	1.41	1.44	(0.03)
Food services	0.08	0.01	0.07
All other pupil services	2.58	2.39	0.19
Administration	4.73	4.30	0.43
Plant services	8.23	8.46	(0.23)
Ancillary services	0.03	0.06	(0.03)
Interest on long-term obligations	7.85	8.30	(0.45)
Other outgo	4.77	2.58	2.19
Depreciation	9.46	9.60	(0.14)
<b>Total Net Cost of Governmental Activities</b>	<b>\$ 127.83</b>	<b>\$ 120.85</b>	<b>\$ 6.98</b>

*Note: Totals may not add due to rounding.*

Charts 2 and 3 provide a breakdown of the General Fund expenditures, excluding Special Reserve Fund for Postemployment Benefits. As it is common with virtually all school districts, the majority of expenditures in the General Fund are for salaries and benefits of approximately 85% (certificated, classified, and benefits). From a functional cost standpoint, Chart 3 shows that approximately 83% of total General Fund expenditures are on instruction and instruction-related activities.

The District must spend at least 60% of its total certificated salaries component on classroom instruction activities. For the current fiscal year, the District spent approximately 70.7% of the District's salaries on classroom instruction activity.

# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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Chart - 2  
Evergreen School District  
General Fund Expenditures by Object

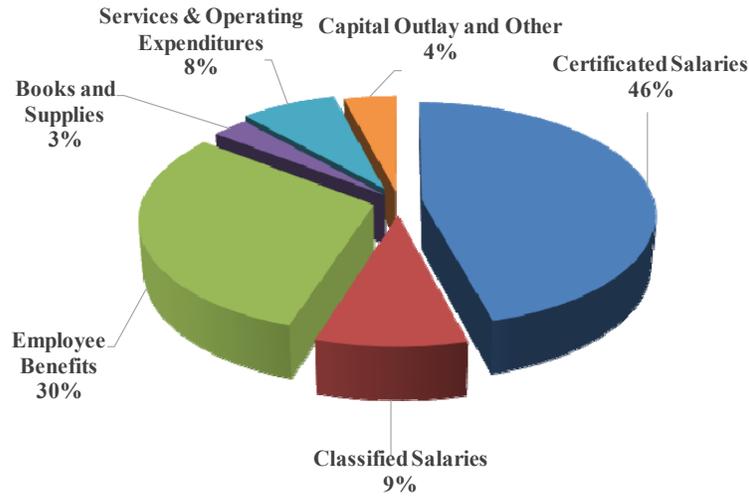
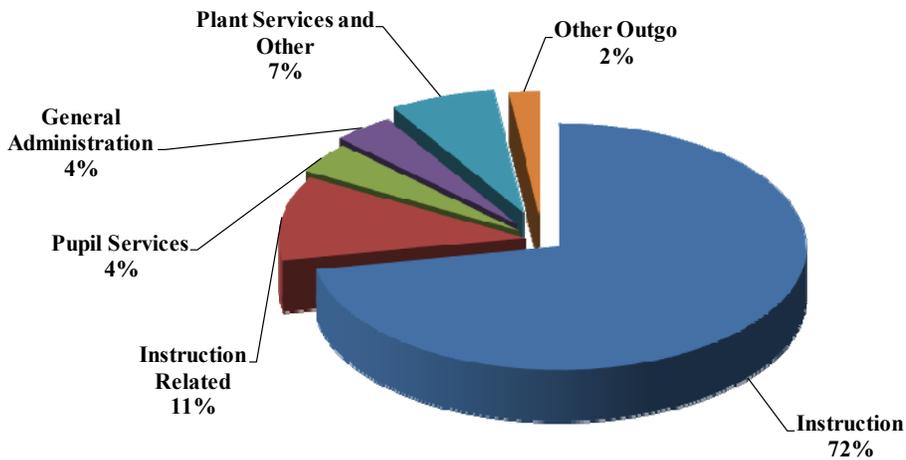


Chart - 3  
Evergreen School District  
General Fund Expenditures by Function



### Available Reserves

The General Fund has the total available reserve balance of \$26.96 million. In the Government-wide statement of net position, committed and assigned ending fund balance are considered unrestricted, but they are not a component of available reserves.

**EVERGREEN SCHOOL DISTRICT**

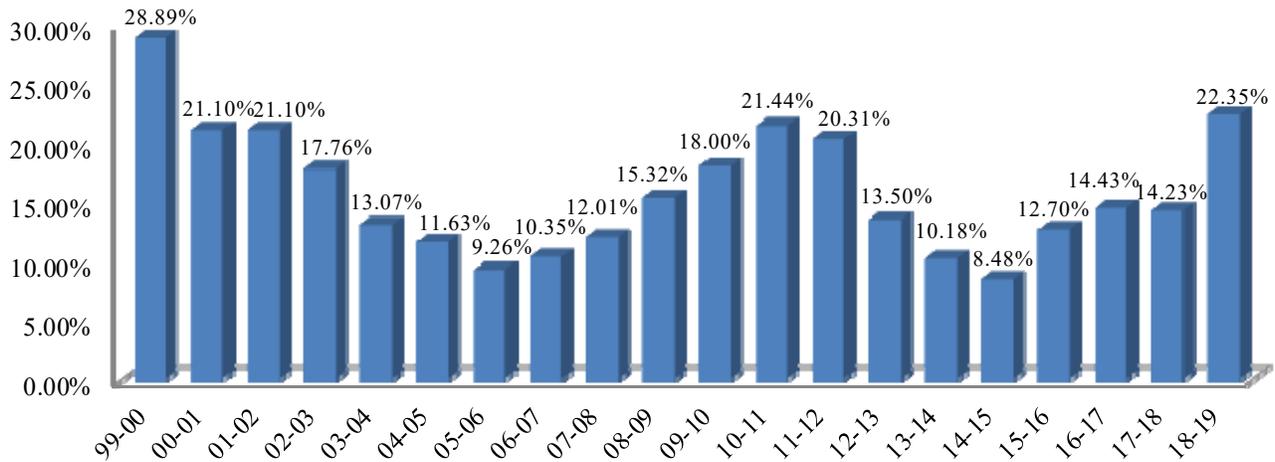
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**General Fund Budgetary Highlights**

Chart 4 illustrates an operating deficit from 1999-2000 through 2018-2019. One time funding and continuing program reductions in 2006-2007 and 2007-2008 created a positive operating balance for the unrestricted reserve. The increases in 2008-2009 through 2010-2011 unrestricted reserves were due to the flexibility provision of transferring State Restricted Tier III program balances and one time revenue from Federal ARRA funds. The District used all available one-time revenues in the amount of \$3.1 million and continued to utilize State allowed flexibilities for the District's general operations during fiscal year 2011-2012. The District had operating deficits in 2011-2012 through 2014-2015. The 2015-2016 year is the first year the District had an operating surplus since fiscal year 2010-2011.

The District reserves declined since 2011-2012 but inched up to 14.43% in the prior year; the District is working on its long-range budgeting process to address the structural issues of operating deficits. We are working with all District stakeholders to prioritize the expenditure allocations that will focus on the services to students and balancing the budget.

**Chart - 4  
Evergreen School District  
General Fund Reserves**



The following table summarizes the General Fund final budget-to-actual information for the year ended June 30, 2019.

<b>Table 4 Evergreen School District Budgetary Comparison Summary</b>			
	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ 118,899,761	\$ 123,232,446	\$ 4,332,685
Total Expenditures	\$ 122,590,688	\$ 120,635,275	\$ 1,955,413

# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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The favorable variances of \$1,955,413 in total expenditures and \$4,332,685 in total revenues were primarily due to the net of Prop. 39 Clean Energy Jobs Act funding, lottery, prior year State aid, mandated costs received, and final expenditures. Therefore, higher revenue and lower expenditures were realized.

Actual revenues in Table 4 do not include Special Reserve Fund for Postemployment Benefits that is combined into the General Fund in the basic financial statements for presentation purpose.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2018-2019 the District had invested \$335.39 million in a broad range of capital assets, including school buildings, athletic facilities and computer and audio-visual equipment (see Table 5). This amount represents a net increase of \$15.24 million from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements).

	2019	2018	Changes
Land	\$ 26.87	\$ 26.87	\$ -
Construction in progress	14.00	1.09	12.91
Buildings and improvements	289.40	287.14	2.26
Equipment and vehicles	5.12	5.05	0.07
Total	<u>\$ 335.39</u>	<u>\$ 320.15</u>	<u>\$ 15.24</u>

#### Capital Projects

In November of 1989, the voters of the District approved authorization of \$35 million in general obligation bonds that were used for building multipurpose rooms at seven of the oldest schools, expanding library rooms, upgrading fields, removing of asbestos and building a Central Kitchen facility for the student lunch program. The District has issued this entire authorization. The District established a Community Facilities District and in September 1992 issued Special Tax Bonds in the amount of \$7,380,000 that helped fund the construction of Silver Oak Elementary School. In November of 1997, the voters approved a \$60 million general obligation bond for the acquisition, construction and improvement of certain school facilities. As of July 1, 2004, the District had issued all bonds from this authorization.

In November of 2006, the voters approved a \$150 million general obligation bond, Measure I, based on a specific project list. In February 2007 the District issued the first series of bonds for \$30 million. The second series of bonds issued in February 2009 for the amount of \$29,998,712.

# EVERGREEN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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A \$100 million general obligation bond, Measure M, was passed by Evergreen voters on November 4, 2014. Measure M is meant to provide a safe, modern learning environment that supports academic achievements by upgrading and constructing classrooms and hands-on science and technology labs and restrooms, increasing campus security and improving overall energy efficiency. In 2015-16, the District issued \$50 million of the \$100 million authorized amount. In 2017-2018, the District issued \$35 million of the remaining \$50 million remaining authorized amount. The District anticipates issuing the final \$15 million in remaining bonds in 2019-20

### Long-Term Debt

At year-end the District had \$171.95 million in general obligation bonds, a decrease of \$6.83 million from prior year and \$0.24 million in other long-term debt outstanding, a decrease of \$0.03 million from last year - as shown in Table 6. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

In addition to the long-term debt required to be recorded in the Statement of Net Position, the District is obligated under contract provisions to provide health benefits to retirees (see Note 12 and 14).

	2019	2018	Changes
General obligation bonds	171.95	\$ 178.78	\$ (6.83)
Compensated absence	0.24	0.27	(0.03)
Total	<u>\$ 172.19</u>	<u>\$ 179.05</u>	<u>\$ (6.86)</u>

### Net Pension Liability (NPL) and OPEB

At year-end, the District has a net pension liability of \$117,812,964 versus \$121,003,498 last year, a decrease of \$3,190,534, or 2.64% and an OPEB liability of \$38,492,745 versus \$37,569,721 last year, an increase of \$923,024, or 2.46%.

Per Government Accounting Standards Board (GASB) Statement Number 68 – *Accounting and Reporting for Pensions*, and GASB Statement Number 75 – *Accounting and Reporting for Postemployment Benefits other than Pensions*, the District recognized its proportionate share of its unfunded pension liabilities with CalPERS and CalSTRS and recognized OPEB liabilities on the financial statements. As a result, the District recognized over \$156 million in pension and OPEB liabilities on the current year's financial statements. These amounts were presented as long-term liabilities and are funded as a component of the annual required contribution that District makes to CalPERS/CalSTRS/OPEB on behalf of its employees.

# **EVERGREEN SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The 2018-2019 fiscal year was impacted by continued declining enrollment resulting in a reduction to revenue based upon Average Daily Attendance (ADA); on-going increases in step and column movement on salary schedules; higher medical and liability insurance premiums; special education contributions; and other expenditure increases. This year the District results of operations realized a General Fund surplus and an increase in unrestricted fund balance. The District anticipated continuing deficit spending in the Unrestricted General Fund in 2019-2020. In order to control deficit spending, the District Board approved a multi-year, \$16 million plan to budget increased revenue and decreased expenditures.

The District's long range projections show a consistent decline in student population for the next five years. Even with increased State revenues under the new Local Control Funding Formula, the long term budget projections anticipate deficits caused by reduced Federal funding, declining enrollment, collective bargaining agreements, and step movement on the salary schedules.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, employees, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Delores Perley – Chief Business Officer, Evergreen School District, 3188 Quimby Road, San Jose, CA 95148.

# EVERGREEN SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 78,922,996
Receivables	4,496,836
Prepaid items	269,338
Stores inventories	36,083
Capital assets not depreciated	40,922,338
Capital assets, net of accumulated depreciation	156,101,451
Total Assets	<u>280,749,042</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	839,283
Deferred outflows from OPEB	761,890
Deferred outflows from pension activities	30,547,241
Total Deferred Outflows of Resources	<u>32,148,414</u>
<b>LIABILITIES</b>	
Accounts payable	5,749,671
Interest payable	2,764,618
Unearned revenue	1,294,451
Long-term obligations other than OPEB and pensions	
Current portion	10,031,366
Noncurrent portion	162,164,387
Total other post-employment benefits liability	38,492,745
Aggregate net pension liability	117,812,964
Total Liabilities	<u>338,310,202</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from OPEB	3,036,648
Deferred inflows from pension activities	15,178,008
Total Deferred Inflows of Resources	<u>18,214,656</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,078,326
Restricted for:	
Educational programs	3,617,093
Debt service	12,157,607
Food services	371,354
Capital projects	1,706,631
Unrestricted	(115,558,413)
Total Net Position	<u>\$ (43,627,402)</u>

The accompanying notes are an integral part of these financial statements.

**EVERGREEN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 96,140,555	\$ -	\$ 12,776,809	\$ (83,363,746)
Instruction-related activities:				
Supervision of instruction	4,451,847	-	875,800	(3,576,047)
Instructional library, media, and technology	1,197,408	-	48,083	(1,149,325)
School site administration	9,057,393	-	679,193	(8,378,200)
Pupil services:				
Home-to-school transportation	1,555,255	-	37,376	(1,517,879)
Food services	3,985,088	1,631,414	1,997,722	(355,952)
All other pupil services	3,860,433	-	1,007,796	(2,852,637)
Administration:				
Data processing	773,985	-	15,308	(758,677)
All other administration	4,602,741	56,118	245,118	(4,301,505)
Plant services	9,092,436	19,121	202,001	(8,871,314)
Ancillary services	80,949	-	-	(80,949)
Intergovernmental instructional services	4,768,278	-	-	(4,768,278)
Interest on long-term obligations	7,854,404	-	-	(7,854,404)
Total Governmental Activities	<u>\$ 147,420,772</u>	<u>\$ 1,706,653</u>	<u>\$ 17,885,206</u>	<u>(127,828,913)</u>
<b>General Revenues and Subventions:</b>				
				57,020,114
Property taxes, levied for general purposes				13,442,853
Property taxes, levied for debt service				2,447,973
Taxes levied for other specific purposes				43,771,048
Federal and State aid not restricted to specific				1,469,402
Interest and investment earnings				8,257,383
Miscellaneous				<u>126,408,773</u>
Subtotal, General Revenues				<u>(1,420,140)</u>
<b>Change in Net Position</b>				<u>(42,207,262)</u>
Net Position - Beginning				<u>\$ (43,627,402)</u>
Net Position - Ending				

The accompanying notes are an integral part of these financial statements.

**EVERGREEN SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS – BALANCE SHEET  
JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 32,164,887	\$ 29,468,998	\$ 14,110,262
Receivables	3,906,376	181,697	49,760
Due from other funds	450,260	-	-
Prepaid items	269,338	-	-
Stores inventories	30,290	-	-
Total Assets	\$ 36,821,151	\$ 29,650,695	\$ 14,160,022
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,016,075	\$ 1,483,998	\$ -
Due to other funds	-	-	-
Unearned revenue	1,294,451	-	-
Total Liabilities	5,310,526	1,483,998	-
Fund Balances:			
Nonspendable	314,628	-	-
Restricted	3,617,093	28,166,697	14,160,022
Committed	622,699	-	-
Assigned	-	-	-
Unassigned	26,956,205	-	-
Total Fund Balances	31,510,625	28,166,697	14,160,022
Total Liabilities and Fund Balances	\$ 36,821,151	\$ 29,650,695	\$ 14,160,022

The accompanying notes are an integral part of these financial statements.

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<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,154,741	\$ 78,898,888
358,869	4,496,702
-	450,260
-	269,338
5,793	36,083
<u>\$ 3,519,403</u>	<u>\$ 84,151,271</u>

\$ 249,598	\$ 5,749,671
426,018	426,018
-	1,294,451
<u>675,616</u>	<u>7,470,140</u>

6,093	320,721
2,834,095	48,777,907
-	622,699
3,599	3,599
-	26,956,205
<u>2,843,787</u>	<u>76,681,131</u>
<u>\$ 3,519,403</u>	<u>\$ 84,151,271</u>

**EVERGREEN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 76,681,131</b>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
The cost of capital assets is	\$ 335,443,931	
Accumulated depreciation is	<u>(138,420,142)</u>	
Net Capital Assets		197,023,789
Deferred outflows resulting from OPEB are not recognized on the governmental funds but are deferred on the statement of net position.		761,890
Deferred outflows resulting from pension activities are not recognized on the governmental funds but are deferred on the statement of net position.		30,547,241
In governmental funds, unmatured interest on long-term debt is recognized in the period when payment is due. Unmatured interest on long-term debt is recognized when it is incurred in the statement of net position.		(2,764,618)
Deferred inflows from pension activities are not recognized on the governmental funds but are deferred on the statement of net position.		(15,178,008)
Deferred inflows from OPEB are not recognized on the governmental funds but are deferred on the statement of net position.		(3,036,648)
Unamortized deferred charge on refunding is recognized as a deferred outflow on the statement of net position. The deferred charges are recognized in the governmental funds when they were paid.		839,283
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities are reported in the statement of net position. Long-term obligations at year-end consist of:		
General obligation bonds	171,951,443	
Compensated absences (vacations)	244,310	
Total OPEB liability	38,492,745	
Net pension liability	<u>117,812,964</u>	
Total Long-Term Obligations		<u>(328,501,462)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ (43,627,402)</u></b>

The accompanying notes are an integral part of these financial statements.

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**EVERGREEN SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>REVENUES</b>			
Local control funding formula	\$ 96,454,821	\$ -	\$ -
Federal sources	3,907,871	-	-
Other state sources	15,868,519	12,725	77,855
Other local sources	7,011,882	743,467	13,508,388
Total Revenues	123,243,093	756,192	13,586,243
<b>EXPENDITURES</b>			
Current			
Instruction	85,013,156	-	-
Instruction-related activities:			
Supervision of instruction	3,936,586	-	-
Instructional library, media and technology	1,058,819	-	-
School site administration	8,009,081	-	-
Pupil services:			
Home-to-school transportation	1,375,249	-	-
Food services	-	-	-
All other pupil services	3,413,623	-	-
Administration:			
Data processing	684,403	-	-
All other administration	3,977,754	-	-
Plant services	8,058,284	5,747	-
Ancillary services	71,580	-	-
Other outgo	2,277,924	-	-
Capital outlay	2,758,816	12,447,609	-
Debt service:			
Principal	-	-	8,574,374
Interest and other	-	-	5,244,853
Total Expenditures	120,635,275	12,453,356	13,819,227
Excess (Deficiency) of			
Revenues Over Expenditures	2,607,818	(11,697,164)	(232,984)
Other Financing Sources			
Transfers in	724,242	-	-
<b>NET CHANGE IN FUND BALANCES</b>	3,332,060	(11,697,164)	(232,984)
Fund Balance - Beginning	28,178,565	39,863,861	14,393,006
Fund Balance - Ending	\$ 31,510,625	\$ 28,166,697	\$ 14,160,022

The accompanying notes are an integral part of these financial statements.

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<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 96,454,821
1,670,445	5,578,316
190,778	16,149,877
2,702,121	23,965,858
<u>4,563,344</u>	<u>142,148,872</u>
-	85,013,156
-	3,936,586
-	1,058,819
-	8,009,081
-	1,375,249
3,523,850	3,523,850
-	3,413,623
-	684,403
118,708	4,096,462
40,448	8,104,479
-	71,580
-	2,277,924
21,803	15,228,228
-	8,574,374
-	5,244,853
<u>3,704,809</u>	<u>150,612,667</u>
858,535	(8,463,795)
-	724,242
<u>858,535</u>	<u>(7,739,553)</u>
1,985,252	84,420,684
<u>\$ 2,843,787</u>	<u>\$ 76,681,131</u>

# EVERGREEN SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (7,739,553)**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlays	\$15,294,877	
Depreciation expense and disposal	<u>(9,457,776)</u>	
Net Expense Adjustment		5,837,101

Amortization of deferred refunding charges is an expense on the statement of activities and does not impact the governmental funds. (175,591)

Payment of principal of General Obligation Bonds is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net position and does not affect the statement of activities. 8,574,374

Amortization of the premium on long-term debt is not recognized in the governmental funds. In the government-wide statements, it is deferred and amortized over the life of the related debt. 1,033,790

Accreted interest is not an expenditure in the governmental funds, but it increases the long term liabilities in the statement of net position and is reflected as additional interest expense in the statement of activities. (2,783,463)

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount actually paid. 27,365

In the governmental funds, OPEB expense are based on employer contributions made to pension plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (2,040,188)

The accompanying notes are an integral part of these financial statements.

**EVERGREEN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2019**

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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(2,749,946)
Interest on long-term obligations is recorded as an expenditure in the governmental funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(684,287)
An internal service fund is used by the District's management to charge the costs of the worker's compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	(719,742)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,420,140)</u></b>

The accompanying notes are an integral part of these financial statements.

**EVERGREEN SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 24,108
Receivables	134
Total Assets	<u>24,242</u>
<b>LIABILITIES</b>	
Current Liabilities	
Due to other funds	24,242
Total Liabilities	<u>24,242</u>
<b>NET POSITION</b>	
Restricted for insurance programs	-
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**EVERGREEN SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>NONOPERATING REVENUES</b>	
Interest income	\$          4,500
<b>NONOPERATING EXPENDITURES</b>	
Transfers out	<u>          (724,242)</u>
Change in Net Position	(719,742)
Total Net Position - Beginning	<u>          719,742</u>
Total Net Position - Ending	<u><u>                  -</u></u>

The accompanying notes are an integral part of these financial statements.



**EVERGREEN SCHOOL DISTRICT**

**FIDUCIARY FUND  
STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2019**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Deposits and investments	\$ 200,091
	<u>200,091</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 200,091
	<u>200,091</u>

The accompanying notes are an integral part of these financial statements.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Evergreen School District (District) was organized in 1860 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K – 8 as mandated by State and/or Federal agencies. The District operates fifteen elementary and three middle schools.

A reporting entity is comprised of the primary government, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance and revenues of \$36,112, \$0 and \$10,647 respectively.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

---

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

### Non Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

**Capital Project Funds** The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations.

**Mello Roos Debt Service Fund** The Mello Roos Debt Service Fund is used to account for interest and principal redemption of debt.

**Proprietary Funds** The Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

**Internal Service Fund** The Internal Service Fund may be used to account for goods or services provided to other funds of the District on a cost reimbursement basis. The District established an insurance administration fund during the year that is accounted for in an internal service fund.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**Fiduciary Funds** The Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District has only one fiduciary fund which is an Associated Student Body fund.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, for each governmental function of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function, and excludes fiduciary activity. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on the asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities such as food services result from special revenue funds and the restrictions on their net position use.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term debt, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances.

### **Investments**

Investments held at June 30, 2019 with original maturities greater than one year with exception of cash in country treasury are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments that are not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County Treasury are determined by the County.

### **Prepaid Items**

Prepaid items represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the benefiting period.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. When purchased, such assets are recorded as expenditures in the governmental funds. In the government-wide statement of net position and activities, such amounts are capitalized and their cost is amortized to operations over their useful lives by annual depreciation expense charge. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds and other long-term obligations are recognized as liabilities in the governmental fund financial statements when paid.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are deferred and amortized over the life of the bonds using the straight line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to its OPEB and pension activities.

### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position - net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district premium. Operating expenses are necessary costs incurred to provide the good or service, that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

Transfers between government funds in the government-wide financial statements are eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the Governing Board to hold a public hearing and adopt an operating budget no later than July 1<sup>st</sup> of each year. The District Governing Board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles based on advice from the State of California.

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### **New Accounting Pronouncements Effective This Fiscal Year**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The District has implemented the provisions of this Statement as of June 30, 2019. There was no material impact from adoption.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has implemented the provisions of this Statement as of June 30, 2019. There was no material impact from adoption.

### **New Accounting Pronouncements Effective in Future Fiscal Years**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District has not determined the effect of the statement.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. The District has not determined the effect of the statement.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 78,898,888
Proprietary funds	24,108
Fiduciary funds	200,091
Total Deposits and Investments	<u>\$ 79,123,087</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 239,949
Cash in revolving	15,300
Investments	78,867,838
Total Deposits and Investments	<u>\$ 79,123,087</u>

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of amortized cost provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with the Securities and Exchange Commission.

**General Authorizations**

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair values of the Santa Clara County's Treasury Investment Pool are approximate cost and have weighted average maturity of 436 days.

### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not rated as of June 30, 2019.

### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, no District bank balances were exposed to custodial credit risk.

### **NOTE 3 – FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets.
- Level 2 – quoted prices in active or inactive for the same or similar assets.
- Level 3 – estimates using the best information available when there is little or no market.

Uncategorized - Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government						
Categorical aid	\$2,499,397	\$ -	\$ -	\$ 290,999	\$ 2,790,396	\$ -
State Government						
Categorical aid	-	-	-	19,335	19,335	-
Lottery	553,882	-	-	-	553,882	-
Other State	342,322	-	-	-	342,322	-
Local Government						
Interest	217,750	181,697	49,760	15,196	464,403	134
Other Local Sources	292,869	-	-	33,339	326,208	-
Total	<u>\$3,906,376</u>	<u>\$181,697</u>	<u>\$ 49,760</u>	<u>\$ 358,869</u>	<u>\$ 4,496,702</u>	<u>\$ 134</u>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 26,873,690	\$ -	\$ -	\$ 26,873,690
Construction in progress	1,089,590	13,871,206	912,148	14,048,648
Total Capital Assets Not Being Depreciated	<u>27,963,280</u>	<u>13,871,206</u>	<u>912,148</u>	<u>40,922,338</u>
Capital Assets Being Depreciated:				
Buildings and improvements	287,134,201	2,269,170	-	289,403,371
Furniture and equipment	5,051,573	66,649	-	5,118,222
Total Capital Assets Being Depreciated	<u>292,185,774</u>	<u>2,335,819</u>	<u>-</u>	<u>294,521,593</u>
Total Capital Assets	<u>320,149,054</u>	<u>16,207,025</u>	<u>912,148</u>	<u>335,443,931</u>
Less Accumulated Depreciation:				
Buildings and improvements	125,063,354	9,265,391	-	134,328,745
Furniture and equipment	3,899,012	192,385	-	4,091,397
Total Accumulated Depreciation	<u>128,962,366</u>	<u>9,457,776</u>	<u>-</u>	<u>138,420,142</u>
Governmental Activities Capital Assets, Net	<u>\$ 191,186,688</u>	<u>\$ 6,749,249</u>	<u>\$ 912,148</u>	<u>\$ 197,023,789</u>

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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Depreciation expense was charged as a direct expense to governmental activities as follows:

**Governmental Activities**

Instruction	\$ 6,745,448
Supervision of instruction	312,352
Instructional library, media, and technology	84,013
School site administration	635,488
Home-to-school transportation	109,120
Food services	279,603
All other pupil services	270,857
Ancillary services	5,680
All general administration	322,946
Data processing	54,305
Plant services	637,964
Total Depreciation Expenses Governmental Activities	<u>\$ 9,457,776</u>

**NOTE 6 – INTERFUND TRANSACTIONS**

**Interfund Receivable/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. As of June 30, 2019, the General Fund has interfund receivable of \$450,260 which consists of the following: from Cafeteria in the amount of \$404,215, from Capital Facilities Fund in the amount of \$21,803 and from Internal Service Fund in the amount of \$24,242. These balances resulted from the time lag between the date that transactions are recorded in the accounting system and payments between funds are made.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2019, consisted of Internal Service Fund transferred \$724,242 to General Fund to close out the Internal Service Fund.

**NOTE 7 – DEFERRED CHARGE ON REFUNDING**

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$54,078,326 includes the effect of deferring the recognition of loss from advance refunding. The \$839,283 balance of the deferred outflows of resources at June 30, 2019, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the year, \$175,591 was recognized as expense.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 2,307,707	\$ 1,483,998	\$ 191,013	\$ 3,982,718
State apportionment	1,091,539	-	-	1,091,539
Salaries and benefits	524,998	-	-	524,998
Other payables	91,831	-	58,585	150,416
Total	<u>\$ 4,016,075</u>	<u>\$ 1,483,998</u>	<u>\$ 249,598</u>	<u>\$ 5,749,671</u>

**NOTE 9 – UNEARNED REVENUE**

Unearned revenue at June 30, 2019, consists of \$1,294,451 from other local grants.

**NOTE 10 – LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General Obligation Bonds					
Current interest	\$ 124,715,000	\$ -	\$ 8,340,000	\$ 116,375,000	\$ 8,640,000
Capital appreciation	40,280,929	2,783,463	234,374	42,830,018	357,576
Premium on issuance	13,780,215	-	1,033,790	12,746,425	1,033,790
Sub Total	<u>178,776,144</u>	<u>2,783,463</u>	<u>9,608,164</u>	<u>171,951,443</u>	<u>10,031,366</u>
Compensated Absences	271,675	-	27,365	244,310	-
Total	<u>\$ 179,047,819</u>	<u>\$ 2,783,463</u>	<u>\$ 9,635,529</u>	<u>\$ 172,195,753</u>	<u>\$ 10,031,366</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences will be paid by the fund for which the employee worked.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Issue Series	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds		
					Outstanding July 1, 2018	Issued / Accreted	Redeemed / Defeased	Outstanding June 30, 2019	
2009	2006 B	8/1/33	5.125%	\$ 7,500,000	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000	
2009	2006 B Cap	8/1/31	3.26-6.53%	22,498,712	40,280,929	2,783,463	234,374	42,830,018	
2012	Refunding	9/1/21	2.0-4.0%	7,700,000	4,765,000	-	1,155,000	3,610,000	
2015	Refunding	9/1/24	2.0-5.0%	33,990,000	25,610,000	-	3,020,000	22,590,000	
2016	2016	8/1/45	2.0-5.0%	50,000,000	40,700,000	-	2,100,000	38,600,000	
2018	2018	8/1/46	3.1-5.0%	35,000,000	35,000,000	-	-	35,000,000	
2018	Refunding	8/1/31	3.5-5.0%	11,140,000	11,140,000	-	2,065,000	9,075,000	
Subtotal				\$ 167,828,712	\$ 164,995,929	\$ 2,783,463	\$ 8,574,374	159,205,018	
								Unamortized Premiums	12,746,425
								Total	\$ 171,951,443

**Debt Service Requirements to Maturity**

The bonds mature through 2049 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 8,997,576	\$ 5,831,514	\$ 14,829,090
2021	8,669,100	5,458,040	14,127,140
2022	6,165,480	5,986,336	12,151,816
2023	7,058,347	5,949,893	13,008,240
2024	7,036,088	6,110,527	13,146,615
2025-2029	22,886,741	45,769,835	68,656,576
2030-2034	24,408,856	17,753,936	42,162,792
2035-2039	15,265,000	9,482,738	24,747,738
2040-2044	21,910,000	5,860,976	27,770,976
2045-2049	15,570,000	940,050	16,510,050
Total	137,967,188	\$ 109,143,845	\$ 247,111,033
Accretion to date	21,237,830		
	\$ 159,205,018		

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 11 – FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 300	\$ 15,300
Stores inventories	30,290	-	-	5,793	36,083
Prepaid expenditures	269,338	-	-	-	269,338
Total Nonspendable	<u>314,628</u>	<u>-</u>	<u>-</u>	<u>6,093</u>	<u>320,721</u>
<b>Restricted</b>					
Educational programs	3,617,093	-	-	-	3,617,093
Capital projects	-	28,166,697	-	1,706,631	29,873,328
Debt services	-	-	14,160,022	762,203	14,922,225
Food services	-	-	-	365,261	365,261
Total Restricted	<u>3,617,093</u>	<u>28,166,697</u>	<u>14,160,022</u>	<u>2,834,095</u>	<u>48,777,907</u>
<b>Committed</b>					
Post employment benefits	622,699	-	-	-	622,699
<b>Assigned</b>					
Maintenance projects	-	-	-	3,599	3,599
<b>Unassigned</b>					
Reserve for economic uncertainties	26,956,205	-	-	-	26,956,205
Total	<u>\$ 31,510,625</u>	<u>\$ 28,166,697</u>	<u>\$ 14,160,022</u>	<u>\$ 2,843,787</u>	<u>\$ 76,681,131</u>

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 12 – TOTAL OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY**

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 38,492,745	\$ 761,890	\$ 3,036,648	\$ 2,040,188

The details of the District plan are as follows:

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Plan Membership*

At June 30, 2018, the most recent valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	52
Active employees	826
	<u>878</u>

*Benefits Provided*

The Plan provides medical insurance benefits to eligible retirees and their spouses. Management employees who retire after age 55 with at least 15 years of service are entitled to benefits. If the retiree dies before age 65, benefits will continue to be paid for the surviving spouse until the date when the retiree would have reached age 65. If the retiree has at least 10 years of service at retirement, but not 15 years, the retiree may enroll in a District-sponsored plan but must pay the full premium of an active participant for coverage. Certificated employees who retire after age 55 with at least 15 years of service are entitled to the same benefits as management employees. Classified employees who retire after age 58 with at least 15 years of service are entitled to benefits. The monthly benefit is paid until the individual reaches age 65. Management and Certificated employees receive a contribution from the District amounting to \$1,517 monthly for employees retiring before June 30, 2014. Employees retiring after June 30, 2014 are entitled to a \$1,471 monthly contribution. Classified employees receive a flat \$300 contribution regardless of their health plan election.

*Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District, different bargaining units, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018-2019, the District contributed \$485,905 to the Plan, all of which was used for current premiums.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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*Actuarial Assumptions*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Discount rate	3.87%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00%, in 2019 and all later years

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2014 CalPERS experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study available from CalPERS.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 37,569,721
Service cost	1,900,883
Interest	1,317,288
Changes in assumptions	(1,054,569)
Differences between actual and expected experience	307,347
Benefit payments	(1,547,925)
Net change in total OPEB liability	923,024
Balance at June 30, 2018	\$ 38,492,745

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (2.87%)	\$ 42,262,475
Current discount rate (3.87%)	38,492,745
1% increase (4.87%)	35,084,758

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the Total OPEB liability of the District, as well as what the District's Total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.0 percent) or 1 percentage point higher (6.0 percent) than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.0%)	\$ 33,664,863
Current healthcare cost trend rate (5.0%)	38,492,745
1% increase (6.0%)	44,172,568

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,040,188. At June 30, 2019, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 485,905	\$ -
Differences between expected and actual experience	275,985	-
Changes of assumptions	-	3,036,648
Total	<u>\$ 761,890</u>	<u>\$ 3,036,648</u>

The deferred outflows/(inflows) of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred inflows of resources related to changes in assumptions will be amortized over a closed 13.4 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 322,093
2021	322,093
2022	322,093
2023	322,093
2024	322,093
Thereafter	1,150,198
	<u>\$ 2,760,663</u>

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$1 billion, subject to various policy sublimits generally ranging from \$1 million to \$50 million and deductible of \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$2 million aggregate, with excess liability coverage with \$24 million per occurrence limit, subject to deductible of \$5,000 per occurrence. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District was a member of South Bay Area Schools Insurance Authority (SBASIA) for property and liability insurance coverage. The joint powers agreement provides that SBASIA will be self-sustaining through member premiums and will insure through commercial insurance companies for claims in excess of self-insured levels. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2019, the District participated in the CSAC Excess Insurance Authority JPA an insurance purchasing pool. The intent of the CSAC Excess Insurance Authority JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CSAC Excess Insurance Authority JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CSAC Excess Insurance Authority JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the CSAC Excess Insurance Authority JPA. Participation in the CSAC Excess Insurance Authority JPA is limited to districts that can meet the CSAC Excess Insurance Authority JPA's selection criteria. The firm of Alliant Insurance Services provides administrative, cost control, and actuarial services to the JPA.

#### Employee Medical Benefits

The District has contracted with Kaiser and Blue Shield to provide employee health benefits. The rates are set through an annual calculation process.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The District reported its proportionate share of the net pension liabilities, pension expense, deferred inflows of resources and a deferred outflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 94,106,071	\$ 23,898,365	\$ 14,599,250	\$ 9,219,829
CalPERS	23,706,893	6,648,876	578,758	4,863,049
Total	<u>\$ 117,812,964</u>	<u>\$ 30,547,241</u>	<u>\$ 15,178,008</u>	<u>\$ 14,082,878</u>

The details of each plan are as follows:

#### **California State Teachers' Retirement System (CalSTRS)**

##### **Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: [www.calstrs.com/member-publications](http://www.calstrs.com/member-publications).

##### **Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$8,799,672.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 94,106,071
State's proportionate share of the net pension liability associated with the District	53,880,127
Total	\$ 147,986,198

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1024 percent and 0.1071 percent, resulting in a net decrease in the proportionate share of 0.0047 percent.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized pension expense of \$9,219,829. In addition, the District recognized pension expense and revenue of \$6,329,700 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,799,672	\$ -
Differences between projected and actual earnings on plan investments	-	3,623,678
Differences between expected and actual experience in the measurement of the total pension liability	291,819	1,366,943
Change in assumptions	14,619,632	-
Change in proportions	187,242	9,608,629
Total	<u>\$ 23,898,365</u>	<u>\$ 14,599,250</u>

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) Amortization
2020	\$ 786,803
2021	(570,925)
2022	(3,040,125)
2023	(799,431)
Total	<u>\$ (3,623,678)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) Amortization
2020	\$ 691,857
2021	691,857
2022	691,856
2023	821,942
2024	1,767,673
Thereafter	(542,064)
Total	<u>\$ 4,123,121</u>

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 137,854,382
Current discount rate (7.10%)	94,106,071
1% increase (8.10%)	57,834,476

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$2,533,260.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,706,893. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0889 percent and 0.0921 percent, resulting in a net decrease in the proportionate share of 0.0032 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$4,863,049. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,533,260	\$ -
Differences between projected and actual earnings on plan investments	194,450	-
Change in assumption	2,367,029	-
Differences between expected and actual experience	1,554,137	-
Change in proportions	-	578,758
Total	<u>\$ 6,648,876</u>	<u>\$ 578,758</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 707,257
2021	169,135
2022	(542,013)
2023	(139,929)
Total	<u>\$ 194,450</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,577,992
2021	1,427,434
2022	336,982
Total	<u>\$ 3,342,408</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

# EVERGREEN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 26,200,050
Current discount rate (7.15%)	23,706,893
1% increase (8.15%)	10,365,989

### NOTE 15 – COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

**EVERGREEN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**Litigation**

The District is also involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

**Construction Commitments**

As of June 30, 2019, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
K.R. Smith STEM Classroom and Window Replacement	\$ 1,205,121	March 2020
O.B. Whaley STEM Classroom and Window Replacement	1,472,639	March 2020
Matsumoto Kinder Expansion	3,165,797	May 2020
J.F. Smith Kinder Expansion	1,312,959	May 2020
Central Kitchen Expansion and Renovation	582,315	August 2019
LeyVa HVAC and Gym Renovation	90,000	June 2019
Total	<u><u>\$ 7,828,831</u></u>	

**NOTE 16 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the South Bay Area School Insurance Authority (SBASIA), the CSAC Excess Insurance Authority (CSACEIA), and the East Valley Transportation Agency (EVT). The District pays an annual premium to the applicable entity for its worker's compensation, property liability coverage, or services provided. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed the Chief Business Officer to the Governing Board of SBASIA, CSACEIA and Director of Operations Support Services, Rick Navarro to the EVT.

During the year ended June 30, 2019, the District made payments of \$560,791, \$865,577, and \$728,079 to SBASIA, CSACEIA, and EVT, respectively for services rendered.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EVERGREEN SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
				<u>Final</u> <u>to Actual</u>
<b>REVENUES</b>				
Local control funding formula	\$ 96,026,696	\$ 96,660,658	\$ 96,454,821	\$ (205,837)
Federal sources	3,975,842	4,340,858	3,907,871	(432,987)
Other state sources	12,646,833	10,905,967	15,868,519	4,962,552
Other local sources	5,499,614	6,992,278	7,001,235	8,957
Total Revenues	<u>118,148,985</u>	<u>118,899,761</u>	<u>123,232,446</u>	<u>4,332,685</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	55,401,120	55,980,048	55,288,079	691,969
Classified salaries	11,194,861	11,167,711	11,005,408	162,303
Employee benefits	33,494,335	33,603,800	36,725,427	(3,121,627)
Books and supplies	3,836,203	6,862,093	3,500,867	3,361,226
Services and operating expenditures	8,662,677	8,603,952	9,130,814	(526,862)
Other outgo	3,888,040	3,613,845	2,159,214	1,454,631
Capital outlay	9,800	2,759,239	2,825,466	(66,227)
Total Expenditures	<u>116,487,036</u>	<u>122,590,688</u>	<u>120,635,275</u>	<u>1,955,413</u>
Excess (Deficiency) of Revenues				
Over Expenditures	1,661,949	(3,690,927)	2,597,171	6,288,098
Other Financing Sources (Uses)				
Transfers in	<u>2,430,000</u>	<u>2,430,000</u>	<u>2,490,354</u>	<u>60,354</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,091,949	(1,260,927)	5,087,525	6,348,452
Fund Balance - Beginning	26,423,100	26,423,100	26,423,100	-
Fund Balance - Ending	<u>\$ 30,515,049</u>	<u>\$ 25,162,173</u>	<u>31,510,625</u>	<u>\$ 6,348,452</u>
Special Reserve Fund For Postemployment Benefits			-	
Fund Balance - General Fund GAAP Basis			<u>\$ 31,510,625</u>	

See accompanying note to required supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Measurement Date, as of June 30,</b>	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 1,900,883	\$ 2,110,864
Interest	1,317,288	1,070,163
Difference between expected and actual experience	307,347	-
Changes of assumptions	(1,054,569)	(2,581,380)
Benefit payments	<u>(1,547,925)</u>	<u>(1,158,977)</u>
Net change in total OPEB liability	923,024	(559,330)
Total OPEB liability - beginning	<u>37,569,721</u>	<u>38,129,051</u>
Total OPEB liability - ending	<u>\$ 38,492,745</u>	<u>\$ 37,569,721</u>
Covered-employee payroll	<u>\$ 67,529,396</u>	<u>\$ 58,649,118</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>57.00%</u>	<u>64.06%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

Measurement Date, June 30,	2018	2017	2016
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.1024%	0.1071%	0.1132%
District's proportionate share of the net pension liability	\$ 94,106,071	\$ 99,016,964	\$ 91,580,535
State's proportionate share of the net pension liability associated with the District	53,880,127	58,577,599	52,135,165
Total	<u>\$ 147,986,198</u>	<u>\$ 157,594,563</u>	<u>\$ 143,715,700</u>
District's covered payroll	<u>\$ 55,090,770</u>	<u>\$ 56,710,102</u>	<u>\$ 56,700,927</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	171%	175%	162%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%
<b>CalPERS</b>			
District's proportion of the net pension liability	0.0889%	0.0921%	0.0931%
District's proportionate share of the net pension liability	<u>\$ 23,706,893</u>	<u>\$ 21,986,534</u>	<u>\$ 21,986,534</u>
District's covered payroll	<u>\$ 11,743,248</u>	<u>\$ 11,742,569</u>	<u>\$ 11,742,569</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	202%	187%	187%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2015</u>	<u>2014</u>
<u>0.1205%</u>	<u>0.1199%</u>
\$ 81,132,322	\$ 70,072,007
<u>42,910,055</u>	<u>42,312,503</u>
<u>\$ 124,042,377</u>	<u>\$ 112,384,510</u>
<u>\$ 50,656,968</u>	<u>\$ 54,001,099</u>
<u>160%</u>	<u>130%</u>
<u>74%</u>	<u>77%</u>
<u>0.0945%</u>	<u>0.0922%</u>
\$ 18,387,896	\$ 13,925,990
<u>\$ 11,167,585</u>	<u>\$ 10,472,116</u>
<u>165%</u>	<u>133%</u>
<u>79%</u>	<u>83%</u>

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Fiscal Year End June 30,</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 8,799,672	\$ 7,915,167	\$ 7,093,698
Contributions in relation to the contractually required contribution	<u>8,799,672</u>	<u>7,915,167</u>	<u>7,093,698</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 <u>\$ 54,063,351</u>	 <u>\$ 55,090,770</u>	 <u>\$ 56,710,102</u>
 Contributions as a percentage of covered payroll	 <u>0.00%</u>	 <u>14.37%</u>	 <u>12.51%</u>
 <b>CalPERS</b>			
Contractually required contribution	\$ 2,533,260	\$ 2,324,586	\$ 2,324,586
Contributions in relation to the contractually required contribution	<u>2,533,260</u>	<u>2,324,586</u>	<u>2,324,586</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 <u>\$ 11,421,258</u>	 <u>\$ 11,743,248</u>	 <u>\$ 11,743,248</u>
 Contributions as a percentage of covered payroll	 <u>0.00%</u>	 <u>19.80%</u>	 <u>19.80%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
\$ 6,083,935	\$ 4,498,323
<u>6,083,935</u>	<u>4,498,323</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 56,700,927</u>	<u>\$ 50,656,968</u>
<u>10.73%</u>	<u>8.88%</u>

\$ 2,189,093	\$ 1,614,577
<u>2,189,093</u>	<u>1,614,577</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 11,742,569</u>	<u>\$ 11,167,585</u>
<u>18.64%</u>	<u>14.46%</u>

# EVERGREEN SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule(s)**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

These schedules presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

#### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.

*Change of Assumptions* – Discount rate change from 3.58% to 3.87% since the previous valuation.

#### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

#### **Schedule of District Pension Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

*SUPPLEMENTARY INFORMATION*

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I - Basic grants low-income and neglected	84.010	14329	\$ 1,209,917
Title I, Part C, Migrant education:			
Regular program	84.011	14838	1,661
Improving teacher quality	84.367	14341	199,403
English language acquisition	84.365	10084	189,575
Special education - Individuals with Disabilities Education Act:			
Basic local assistance	84.027	13379	2,039,883
Preschool local entitlement	84.027A	13682	67,050
Mental health allocation plan	84.027A	14468	113,061
Preschool staff development	84.173A	13431	591
Total IDEA cluster:			<u>2,220,585</u>
Total U.S Department of Education			<u>3,821,141</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child nutrition cluster			
Especially needy breakfast	10.553	13526	232,433
National school lunch	10.555	13524	1,438,012
National school lunch - Commodity <sup>[1]</sup>	10.555	13396	276,688
Total Child nutrition cluster:			<u>1,947,133</u>
Total U.S. Department of Agriculture			<u>1,947,133</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through CDE:			
Medical Assistance Program	93.778	10013	86,730
Total Federal Grants			<u>\$ 5,855,004</u>

<sup>[1]</sup> Commodities for the school lunch program are not recorded in the financial statements.

See accompanying note to supplementary information.

# EVERGREEN SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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The District was organized in 1860 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K – 8 as mandated by the State and/or Federal agencies. The District operates fifteen elementary, and three middle schools.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Bonnie Mace	President	2020
Leila Welch	President Pro Tem	2020
Jim Zito	Clerk	2022
Christopher Corpus	Trustee	2022
Marisa Hanson	Trustee	2022

### ADMINISTRATION

Dr. Emy Flores	Superintendent
Delores Perley	Chief Business Officer (CBO)

See accompanying note to supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,169.88	4,172.15
Fourth through sixth	3,589.89	3,588.70
Seventh and eighth	2,731.87	2,732.17
Total Regular ADA	<u>10,491.64</u>	<u>10,493.02</u>
Extended Year Special Education		
Transitional kindergarten through third	3.92	3.92
Fourth through sixth	0.84	0.84
Seventh and eighth	0.81	0.81
Total Extended Year Special Education	<u>5.57</u>	<u>5.57</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.08
Fourth through sixth	3.31	3.33
Seventh and eighth	1.01	1.02
Total Special Education, Nonpublic, Nonsectarian Schools	<u>4.32</u>	<u>4.43</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.13	0.13
Seventh and eighth	0.43	0.43
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.56</u>	<u>0.56</u>
Total ADA	<u><u>10,502.09</u></u>	<u><u>10,503.58</u></u>

See accompanying note to supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87	2018-2019	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	44,316	180	Not applicable	Complied
Grades 1 - 3	50,400				
Grade 1		50,400	180	Not applicable	Complied
Grade 2		50,400	180	Not applicable	Complied
Grade 3		50,400	180	Not applicable	Complied
Grades 4 - 6	54,000				
Grade 4		54,000	180	Not applicable	Complied
Grade 5		54,000	180	Not applicable	Complied
Grade 6		54,000	180	Not applicable	Complied
Grades 7 - 8	54,000				
Grade 7		58,116	180	Not applicable	Complied
Grade 8		58,116	180	Not applicable	Complied

See accompanying note to supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
<b>GENERAL FUND<sup>3</sup></b>				
Revenues	\$ 114,044,976	\$ 123,232,446	\$ 117,143,203	\$ 118,005,075
Transfers in	-	2,490,354	-	-
Total Revenues and Transfers In	114,044,976	125,722,800	117,143,203	118,005,075
Expenditures	119,188,429	120,635,275	115,235,117	115,528,108
Increase (Decrease) In Fund Balance	\$ (5,143,453)	\$ 5,087,525	\$ 1,908,086	\$ 2,476,967
Ending Fund Balance	\$ 26,367,172	\$ 31,510,625	\$ 26,423,100	\$ 24,515,014
Available Reserves <sup>2</sup>	\$ 21,812,752	\$ 26,956,205	\$ 16,398,907	\$ 16,665,249
Available Reserves As a Percentage Of total Outgo <sup>3</sup>	18.30%	22.35%	14.23%	14.43%
Long-Term Obligations	\$ 318,470,096	\$ 328,501,462	\$ 337,621,038	\$ 172,880,471
K-8 Average Daily Attendance at P-2	10,062	10,502	11,025	11,451

The General Fund balance has increased by \$6,995,611 over the past two years. The fiscal year 2019-20 budget projects a fund balance decrease of \$5,143,453. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by \$155,620,991 over the past two years. The increase mainly is because the District recorded OPEB liability and issuance of additional bonds to fund school construction projects.

Average daily attendance has decreased by 949 over the past two years. A decrease of 440 ADA is anticipated during fiscal year 2019-20.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances contained within the General Fund.

<sup>3</sup> General Fund amounts excluded activity related to the consolidation of the Retiree Benefits Special Reserve Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**EVERGREEN SCHOOL DISTRICT**

**NON MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 673,456	\$ 3,579	\$ 1,719,713
Receivables	345,918	20	8,721
Stores inventories	5,793	-	-
Total Assets	<u>\$ 1,025,167</u>	<u>\$ 3,599</u>	<u>\$ 1,728,434</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 249,598	\$ -	\$ -
Due to other funds	404,215	-	21,803
Total Liabilities	<u>653,813</u>	<u>-</u>	<u>21,803</u>
Fund Balances:			
Nonspendable	6,093	-	-
Restricted	365,261	-	1,706,631
Assigned	-	3,599	-
Total Fund Balances	<u>371,354</u>	<u>3,599</u>	<u>1,706,631</u>
Total Liabilities and Fund Balances	<u>\$ 1,025,167</u>	<u>\$ 3,599</u>	<u>\$ 1,728,434</u>

See accompanying note to supplementary information.

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<b>Mello Roos Debt Service Fund</b>	<b>Total Non Major Governmental Funds</b>
\$ 757,993	\$ 3,154,741
4,210	358,869
-	5,793
<u>\$ 762,203</u>	<u>\$ 3,519,403</u>

\$ -	\$ 249,598
-	426,018
-	<u>675,616</u>

-	6,093
762,203	2,834,095
-	3,599
<u>762,203</u>	<u>2,843,787</u>
<u>\$ 762,203</u>	<u>\$ 3,519,403</u>

**EVERGREEN SCHOOL DISTRICT**

**NON MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 1,670,445	\$ -	\$ -
Other state sources	190,778	-	-
Other local sources	1,931,925	72	754,017
Total Revenues	<u>3,793,148</u>	<u>72</u>	<u>754,017</u>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	3,523,850	-	-
All other administration	118,708	-	-
Plant services	40,448	-	-
Capital outlay	-	-	21,803
Total Expenditures	<u>3,683,006</u>	<u>-</u>	<u>21,803</u>
<b>NET CHANGE IN FUND BALANCES</b>	110,142	72	732,214
Fund Balance - Beginning	261,212	3,527	974,417
Fund Balance - Ending	<u>\$ 371,354</u>	<u>\$ 3,599</u>	<u>\$ 1,706,631</u>

See accompanying note to supplementary information.

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<b>Mello Roos Debt Service Fund</b>	<b>Total Non Major Governmental Funds</b>
\$ -	\$ 1,670,445
-	190,778
16,107	2,702,121
<u>16,107</u>	<u>4,563,344</u>
-	3,523,850
-	118,708
-	40,448
-	21,803
<u>-</u>	<u>3,704,809</u>
16,107	858,535
746,096	1,985,252
<u>\$ 762,203</u>	<u>\$ 2,843,787</u>

# EVERGREEN SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balances:		
Commodities are not recorded on the financial statements.	10.555	\$ 5,578,316
Total Schedule of Expenditures of Federal Awards		<u>\$ 276,688</u> <u>\$ 5,855,004</u>

#### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *Education Code* Section 46201.

# EVERGREEN SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

### **Non Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

The Non Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

***INDEPENDENT AUDITOR'S REPORTS***



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Evergreen School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Evergreen School District's basic financial statements, and have issued our report thereon dated December 15, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Palo Alto, California  
December 15, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Evergreen School District  
San Jose, California

**Report on Compliance for Each Major Federal Program**

We have audited Evergreen School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Evergreen School District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance for the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Evergreen School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying, schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Eide Bailly LLP*

Palo Alto, California  
December 15, 2019

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Evergreen School District  
San Jose, California

### **Report on State Compliance**

We have audited Evergreen School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Evergreen School District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Evergreen School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Evergreen School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	No, See Below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, See Below
Comprehensive School Safety Plan	Yes
District of Choice	No, See Below
 <b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, See Below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, See Below
 <b>CHARTER SCHOOLS</b>	
Attendance	No, See Below
Mode of Instruction	No, See Below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, See Below
Determination of Funding for Non Classroom-Based Instruction	No, See Below
Annual Instruction Minutes Classroom-Based	No, See Below
Charter School Facility Grant Program	No, See Below

The District does not offer Independent Study Programs, Continuing Education Program, Early Retirement Incentive Program, Juvenile Court School Program, Middle or Early College High School Program, Apprenticeship: Related and Supplemental Instruction Program, District of Choice Program, Before School Education and Safety Program, and Independent Study-Course Based Program; therefore, we did not perform procedures related to these Programs.

The District does not have any dependent Charter School; therefore, we did not perform any procedures required by Charter School Programs.

*Eide Bailly LLP*

Palo Alto, California  
December 15, 2019

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

**EVERGREEN SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**EVERGREEN SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported

# EVERGREEN SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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The following finding represents significant deficiencies of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

### **2019-001 Time and effort documentation for Special Education Cluster**

#### **Code**

50000 Federal Compliance

#### **Federal Program Affected**

U.S. Department of Education passed through California Department of Education: Special Education IDEA cluster (84.027, 84.027A, 84.173, 84.173A)

#### **Criteria or Specific Requirements**

In accordance to *Code of Federal Regulations*, Part 200 (the Uniform Guidance), it specify which costs are allowable charges to federal programs, which costs are not allowable, and how costs charged to federal programs must be documented. Local Education Agency must apply the Uniform Guidance to all federal funds that are subject to the cost principles. Section 200.430 specifies the standards for documenting salaries and wages charged to federal programs.

Employees who work solely on a single federal award or cost objective need only complete a periodic certification meeting certain requirements. Employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report or equivalent documentation. Among others, the requirements include that activity reports must reflect an after the fact distribution of the actual activity of each employee. Activity reports must account for the total activity for which each employee is compensated.

#### **Condition**

Control and compliance - During our examination of employee time and effort documentation, the District was not able to provide 19 out of 24 selected employees' time and effort documentations.

#### **Questioned costs**

\$1,749,747 (Total payroll and benefit charged \$2,214,870 x error rate 79% = \$1,749,747).

#### **Context**

There are 120 employees who were funded by Special Education IDEA Cluster resources during the year. We selected haphazard sample of 24 transactions for time and effort documentation and identified 19 exceptions, approximately 79% error rate.

This finding is related to the District being unable to provide time documentation that satisfy the requirements of the Uniform Guidance.

# EVERGREEN SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### **Effect**

The District is required to maintain the time and effort documentation as a prerequisite of receiving federal grants. Failure to do so could result in disallowance of expenditures allocated to federal programs, even if the District actually complied with the underlying grant requirements.

### **Cause**

The District does not have a process that facilitates these documents, and the District did not appoint an individual to oversee this responsibility.

### **Identification as a Repeat Finding**

This finding was not reported in the prior year.

### **Recommendation**

Below procedure satisfy the requirements of the Uniform Guidance.

Employees who work solely on a single federal award need only to complete a periodic certification. The periodic certification must:

- Be prepared at least semiannually.
- Be signed by the employee or the supervisory official having firsthand knowledge of the work performed by the employee.
- State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.

Employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report (PAR) or equivalent documentation.

PARs or equivalent documentation must:

- Reflect an after-the-fact distribution of the actual activity of each employee.
- Account for the total activity for which each employee is compensated.
- Be prepared at least monthly and coincide with one or more pay periods.
- Be signed by the employee.

The responsibility to collect federal time accounting documents should be handled by centralized personnel at the District office. One person should be tasked with this responsibility and held accountable for compliance.

# EVERGREEN SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### **Corrective Action Plan**

While the District has a procedure in place for completing a personnel activity report (PAR) for most federal programs, the special education program was overlooked for this procedure in 2018-19. Effective immediately, appropriate staff in the finance department will be trained to oversee and collect the time accounting documents for all federal programs, including special education. This staff member will be trained to monitor the program costs for personnel on a monthly basis to ensure the documents are prepared and then signed by the staff performing the work and finally, collected in the finance department.

**EVERGREEN SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# EVERGREEN SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### *Financial Statement Finding*

#### **2018-001 Budgeting Process**

##### **Code**

Internal Controls (30000).

##### **Finding**

The District's financial projection indicates continuing deficits as well as declining enrollments. The projection indicates use of available reserves to fund on-going deficits; however, the District's current available reserves should be conserved for contingencies and one-time expenditures rather than financing of ongoing operational deficits to avoid reducing available reserves below State minimum reserve requirements.

##### **Recommendation**

We recommend the District reserves should be utilized for one-time expenditure requirements that are non-routine in nature because reserves may solve budget shortfalls on a temporary basis.

##### **Current Status**

Resolved.

### *State Awards Findings*

#### **2018-002 Unduplicated Local Control Funding Formula Pupil Counts**

##### **Code**

State Compliance (40000).

##### **Finding**

We noted instances where it appears some pupils were incorrectly classified as “English Learner” (EL) in CALPADS. As a result, the percentage of “unduplicated pupils” enrolled in the District over census day was overstated.

##### **Recommendation**

We recommend the District to appoint an individual to review the listing of pupils designated as EL eligible in report 1.18 and reconcile the listing with data from the English Language Learners department.

##### **Current Status**

Resolved.