

EVERGREEN SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

EVERGREEN SCHOOL DISTRICT

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FINANCIAL SECTION



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 (District) as of and for the year ended June 30, 2015, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-2015*, 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 District'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 District'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 District, as of June 30, 2015, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, such as management's discussion and analysis, budgetary comparison schedule, District's proportionate share of pension liabilities schedule, District's pension contribution schedule and other postemployment benefit funding progress schedule, 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, as listed in the table of contents, such as the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information 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 is 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 including the Schedule of Expenditures of Federal Awards, 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 November 24, 2015, 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 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 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 the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 24, 2015



DISTRICT PROFILE

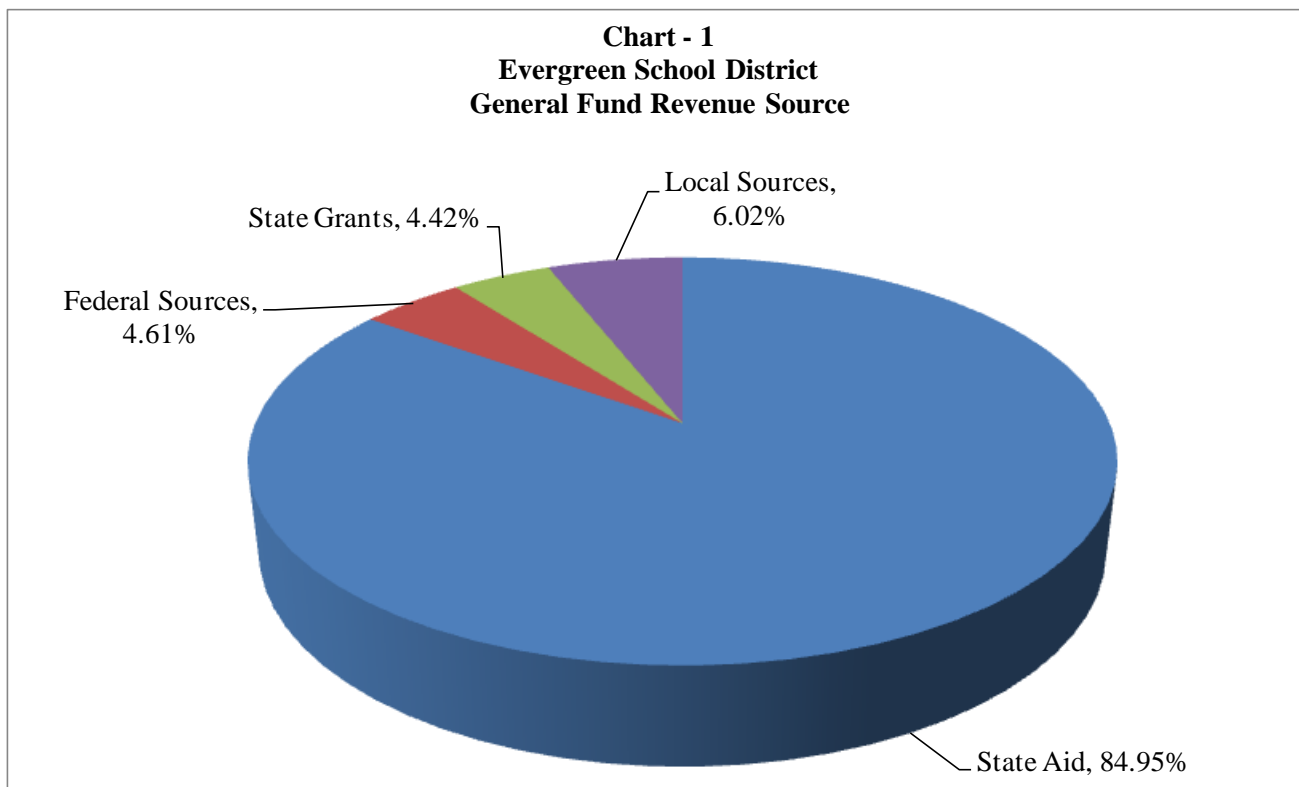
Evergreen School District was formed in 1860 and is one of the oldest school districts in Santa Clara County. The District is located along the Mount Hamilton mountain range in the southeastern part of San Jose and extends to the west to Highway 101 and to the north to Tully Road. It encompasses an area 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 2014-2015 was 12,496, a decrease of 355 ADA from 2013-2014.

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. Eleven 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 \$6,775 which is an increase of \$605 per ADA or an increase of 9.8% from the 2013-2014 funding level.

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



Note: On-behalf payment of \$3,002,865 and Special Reserve Fund for Postemployment Benefits revenues were excluded from this chart.

2015 RESULTS OF OPERATIONS

EVERGREEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Major Governmental Fund Statements

General Fund

The District's General Fund revenue, excluding Special Reserves Fund for Retiree Benefits, was less than expenditures by \$1,667,065. The unrestricted General Fund had deficit spending of \$1,589,687 and its ending fund balance was \$13,951,576. Of this amount, \$5,756,650 is unassigned and \$3,150,215 is unassigned but reserved for economic uncertainties. The available reserves at June 30, 2015 were \$8,906,865. By way of comparison, available reserves at June 30, 2014 were \$10,692,221, thus the District has decreased its available reserves by \$1,785,356 or approximately 16.7%.

The District's Retiree Benefits Special Reserve Fund balance has increased by \$7,878 to \$1,701,351. The increase represents the interest revenue received. This fund is combined with the General Fund in the basic financial statement starting 2010-11 to comply with GASB 54.

Building Fund

The District's Building Fund balance has decreased by \$1,140,101 to \$9,082,349. This change represents the net effect of construction costs of approximately \$1,186,377.

Bond Interest and Redemption Fund

The District's Bond Interest and Redemption Fund balance has increased by \$832,619 to \$8,056,939. The increase resulted from additional taxes levied to pay for general obligation bonds.

Non Major Governmental Fund Statements

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

Cafeteria Fund

The District's Cafeteria Fund balance has decreased by \$76,110 to \$298,236.

Deferred Maintenance Fund

The District's Deferred Maintenance Fund balance has increased by \$16 to \$3,419. The increase represents the interest revenue received.

Capital Facilities Fund

The District's Capital Facilities Fund balance has increased by \$354,055 to \$1,263,514. The increase was due to developer fees collected and some interest revenue received.

Mello Roos Debt Service Fund

The District's Mello Roos Debt Service Fund balance has increased by \$17,863 to \$1,293,703. The increase resulted mainly from the collection of special taxes that were used to pay down the debt.

EVERGREEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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 *governmental funds* statements tell how basic services like instruction related activities and pupil services were financed in the short term as well as what remains for future spending.
 - *Proprietary funds* are classified as enterprise or internal services. The District operates a Self-Insurance fund that is accounted for in an internal service fund.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the government-wide financial 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 and liabilities – 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, 2015

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* that 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, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s *combined* net position was a deficit \$25.92 million at June 30, 2015, a decrease of \$102.78 million from 2013-2014 because the financial statements reflect a change in accounting principle with respect to accounting and reporting for pension liabilities as noted on this table. However, without the effect of these long-term items, our unrestricted net position would include a \$1.70 million board committed amount to fund the post employment benefits, \$3.15 million earmarked for economic uncertainty along with a \$5.8 unassigned amount. (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 Activities	
	2015	2014
Current and other assets	\$ 40.51	\$ 41.84
Capital assets	161.36	168.41
Total Assets	201.87	210.25
Deferred amount on refunding	1.35	0.48
Pension activities	5.70	-
Total Deferred Outflows of Resources	7.05	0.48
Current liabilities	12.13	11.43
Long-term liabilities	201.86	122.44
Total Liabilities	213.99	133.87
Pension activities	20.85	-
Total Deferred Inflows of Resources	20.85	-
Net Position		
Net investment in capital assets	60.06	65.12
Restricted	13.81	12.50
Unrestricted		
Board committed	1.70	1.69
Board assigned	-	-
Reserved for uncertainty	3.15	2.91
Unassigned	(104.64)	(5.36)
Total Net Position	\$ (25.92)	\$ 76.86

Note: Totals may not add due to

EVERGREEN SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities for the current year was \$129.86 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$117.33 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 \$1.49 million; operating grants and contributions from federal and state agencies, and other local organizations of \$11.04 million; Federal and State Aid, including Local Control Funding Formula funding of \$51.55 million.

For the prior year, the cost of all of our governmental activities was \$123.29 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$109.3 million.

For the prior year, major funding sources for governmental activities included charges for services to those who benefited from certain programs of \$1.60 million; operating grants and contributions from federal and state agencies; and other local organizations of \$12.39 million; Federal and State Aid, including revenue limit funding of \$43.16 million.

	2015	2014	Changes
Program Revenues:			
Charges for services	\$ 1.49	\$ 1.60	\$ (0.11)
Operating granting and contributios	11.04	12.39	(1.34)
General Revenues:			
Federal and state sources	51.55	43.16	8.38
Property taxes	54.74	50.88	3.86
Other general revenues	2.64	4.70	(2.06)
Total Revenues	\$ 121.46	\$ 112.73	\$ 8.74
Functional Expenses:			
Instruction and instruction-related activities	\$ 93.77	\$ 87.43	\$ 6.34
Home-to-school transportation	1.27	1.24	0.02
Food services	3.77	3.75	0.01
All other pupil services	2.37	2.53	(0.16)
Administration	7.39	6.75	0.64
Plant services	7.29	7.67	(0.38)
Interest on long-term obligations	5.33	5.44	(0.12)
Other outgo	0.61	0.54	0.07
Depreciation	8.07	7.93	0.14
Total Expenses	\$ 129.86	\$ 123.29	\$ 6.57
Changes in Net Position	\$ (8.40)	\$ (10.56)	\$ 2.17

Note: Totals may not add due to rounding.

EVERGREEN SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

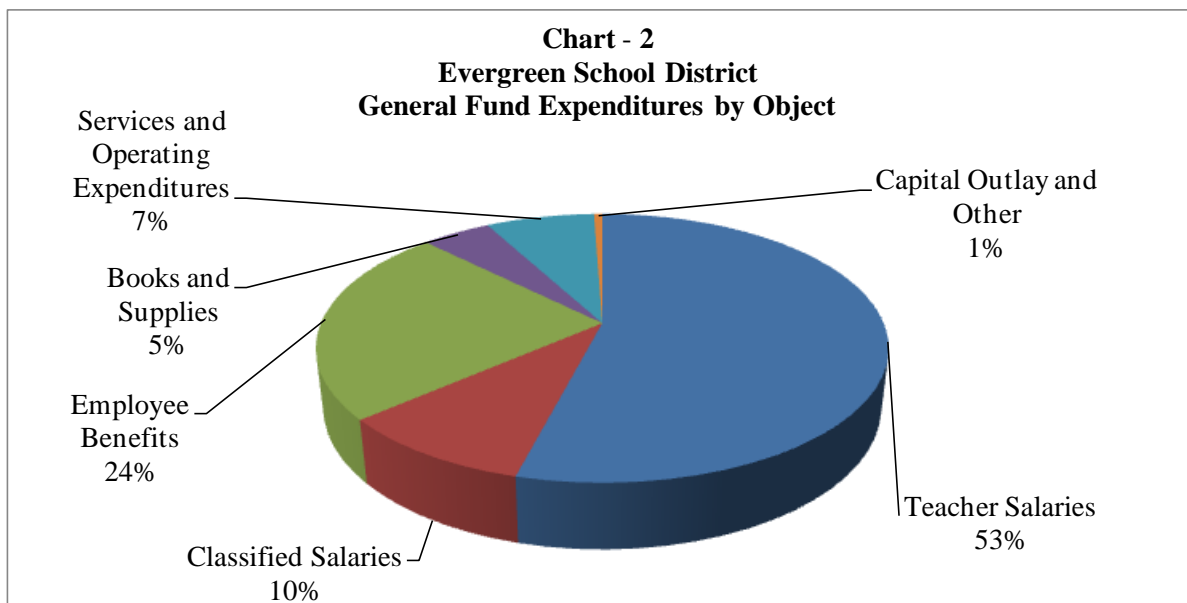
Table 3 presents the net cost of each of the District’s largest functions. As discussed above, net cost shows the financial burden that was required to support primarily by state revenue limit and local property taxes.

	2015	2014	Changes
Instruction and instruction-related activities	\$ 86.13	\$ 79.03	\$ 7.10
Home-to-school transportation	1.22	1.24	(0.02)
Food services	0.13	0.13	(0.00)
All other pupil services	1.56	1.13	0.43
Administration	7.27	6.49	0.78
Plant services	7.20	7.59	(0.39)
Interest on long-term obligations	5.33	5.44	(0.12)
Other outgo	0.42	0.32	0.10
Depreciation	8.07	7.93	0.14
Total Net Cost of Governmental Activities	\$ 117.32	\$ 109.30	\$ 8.02

Note: Totals may not add due to rounding.

Charts 2 and 3 provide a breakdown of the General Fund expenditures, excluding on-behalf payments of \$3,002,865 both by object and by function and excluding Special Reserve Fund for Postemployment Benefits. As is common with virtually all school districts, the majority of expenditures in the General Fund are for salaries and benefits of approximately 87 percent. From a functional cost standpoint, Chart 3 shows that approximately 85 percent of total General Fund expenditures are on instruction and instruction-related activities.

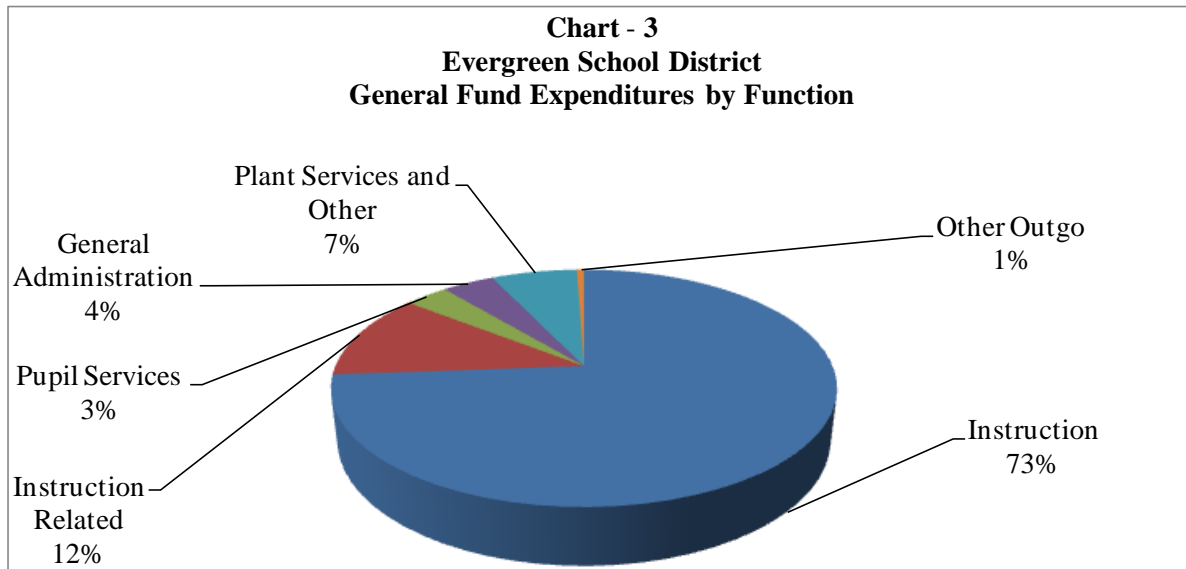
The District must spend at least 60% of its total certificated salaries component on classroom instruction activities. For the current fiscal year, the District spent approximately 70% of certificated salaries on classroom instruction activity.



EVERGREEN SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2015



Available Reserves

The General Fund unappropriated fund balance of \$5.76 million and the 3% reserve of \$3.15 million equals the total available reserve balance of \$8.91 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.

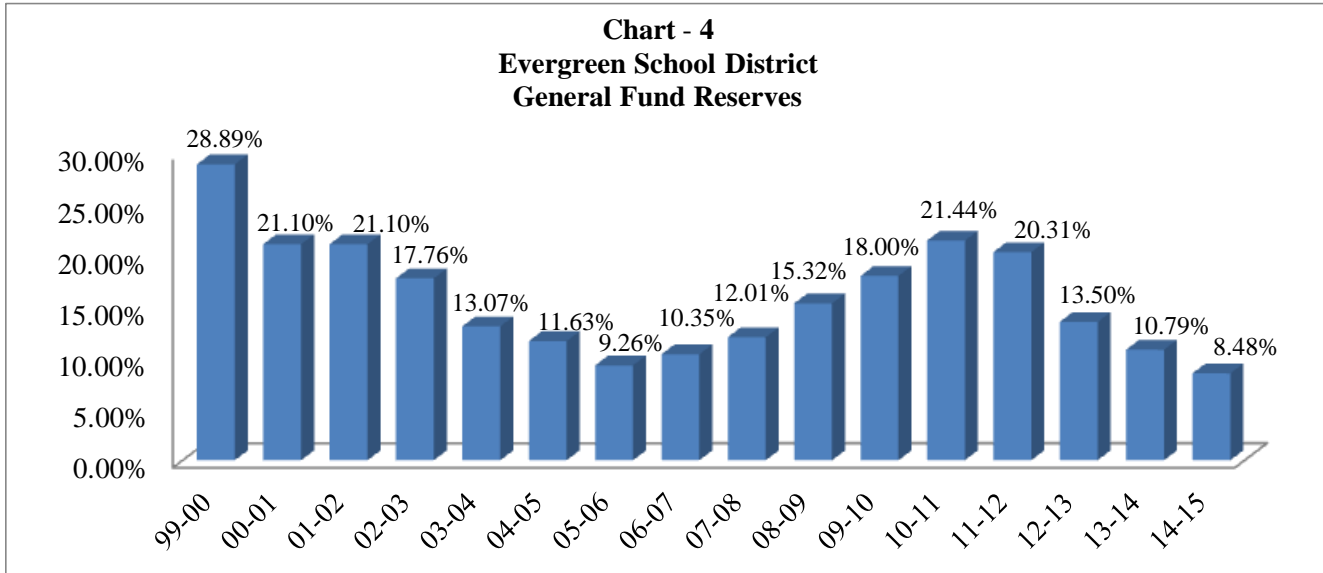
General Fund Budgetary Highlights

Chart 4 illustrates an operating deficit from 1999-2000 through 2005-2006. One time funding and continuing program reductions in 2006-07 and 2007-08 created a positive operating balance for the unrestricted reserve. The increases in 2008-09 through 2010-11 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 2011-12 through 2013-2014 and continues deficit spending in 2014-2015. The total unrestricted General Fund ended with a deficit spending of \$1,589,687. Based on the Local Control Funding Formula for future years’ revenue projections, the deficit is expected to continue in future years due to declining enrollment, increasing health insurance cost, step and column movement on the salary schedule, encroachment for special education program.

The District reserves declined since 2011-2012; 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.

EVERGREEN SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2015**



For the 2014-2015 fiscal year, the operating budget versus the actual budget, unrestricted expenditures had a variance of 0.19%, and the unrestricted revenues had a variance of 0.47%. The difference from the budget to actual on the unrestricted fund balance was \$801,298 on the total of \$105 million General fund expenditures. This is a variance of 0.76%.

The following table summarizes the General Fund final budget to actual information for the year ended June 30, 2015.

**Table 4
Evergreen School District
Budgetary Comparison Summary**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ 102,130,628	\$ 103,340,087	\$ 1,209,459
Total Expenditures	\$ 104,582,240	\$ 105,007,153	\$ (424,913)

The unfavorable variances of \$424,913 in total expenditures and favorable variances of \$1,209,459 in total revenues were primarily due to categorical programs and entitlement program carryovers to next year.

Actual revenues in Table 4 do not include \$3,002,865 of payments by the state to the retirement system on-behalf of the District. This is recorded in the District financial statements as offsetting revenues and expenditures with no effect on fund balance. In addition, for comparison purpose, this table does not include Special Reserve Fund for Postemployment Benefits that is combined into the General Fund in the basic financial statements for presentation purpose.

EVERGREEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-2015 the District had invested \$266.00 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 \$.61 million from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements).

	2015	2014	Changes
Land	\$ 26.87	\$ 26.87	\$ -
Construction in progress	-	2.03	(2.03)
Buildings and improvements	233.53	230.59	2.94
Equipment and vehicles	5.60	5.90	(0.30)
Total	<u>\$ 266.00</u>	<u>\$ 265.39</u>	<u>\$ 0.61</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. The District had not issued all bonds from this authorization, but upon passage of Measure M in 2014, the District will not issue any Bonds pursuant to the authorization remaining under Measure I and considered such authorization forfeit, null and void.

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.

Current or recent capital projects include:

1. Roofing project at Chaboya Middle School
2. Re-carpet at Silver Oak Elementary School

EVERGREEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Long-Term Debt

At year-end the District had \$108.70 million in general obligation bonds and \$19.19 million in other long-term debt outstanding – a decrease of 0.51 from last year - as shown in Table 6. (More detailed information about the District's long-term liabilities is presented in Note 9 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 11).

	2015	2014	Changes
General obligation bonds	\$ 108.70	\$ 111.82	\$ (3.12)
Mello-Roos special tax bonds	1.65	2.15	(0.50)
Arbitrage liabilities	0.02	0.02	-
Compensated absence	0.27	0.24	0.03
OPEB obligation	17.25	14.17	3.08
Total	<u>\$ 127.89</u>	<u>\$ 128.40</u>	<u>\$ (0.51)</u>

Note: Totals may not add due to rounding.

Net Pension Liability (NPL)

The District implemented the provisions of Government Accounting Standards Board (GASB) Statement Number 68 – *Accounting and Reporting for Pensions* which required the District to recognize its proportionate share of its unfunded pension liabilities with CalPERS and CalSTRS. The District as a result recognized over \$80 million in pension liabilities on the 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 on behalf of its employees.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2014-2015 fiscal year was impacted by declined enrollment; on-going increases in step and column movement on the teacher's salary schedule; higher medical and liability insurance premiums; special education encroachment; and other expenditure increases. The District continued to utilize available reserves for the District's general operations during 2014-15. We anticipated the unrestricted fund balance to increase in our 2015-16 budget projection that is due to one-time mandate cost discretionary funding allocation in 2015-16. The District estimates continuing deficit spending in the Unrestricted General Fund in 2016-17 and 2017-18. In order to control deficit spending, the District must find additional revenues and/or control the cost increases.

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

EVERGREEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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 Billing (Nelly) Yang – Chief Business Officer, Evergreen School District, 3188 Quimby Road, San Jose, CA 95148.

EVERGREEN SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	\$ 35,787,655
Receivables	3,231,909
Prepaid expenses	1,360,418
Stores inventories	131,649
Capital assets not depreciated	26,873,690
Capital assets, net of accumulated depreciation	134,482,998
Total Assets	201,868,319
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,354,894
Deferred outflow from pension activities	5,696,543
Total Deferred Outflows of Resources	7,051,437
LIABILITIES	
Accounts payable	2,909,198
Interest payable	1,211,075
Unearned revenue	1,433,699
Current portion of long-term obligations other than pensions	6,573,344
Noncurrent portion of long-term obligations other than pensions	121,321,878
Aggregate net pension liability	80,542,137
Total Liabilities	213,991,331
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow from pension activities	20,852,753
Total Deferred Inflows of Resources	20,852,753
NET POSITION	
Net investment in capital assets	60,062,845
Restricted for:	
Educational programs	3,595,043
Debt service	8,139,567
Food services	298,236
Capital projects	1,263,514
Self insurance	517,647
Unrestricted	(99,801,180)
Total Net Position	\$ (25,924,328)

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

EVERGREEN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 86,643,538	\$ -	\$ 6,830,318	\$ (79,813,220)
Instruction-related activities:				
Supervision of instruction	5,137,613	-	806,242	(4,331,371)
Instructional library, media, and technology	980,265	-	-	(980,265)
School site administration	7,680,378	-	1,327	(7,679,051)
Pupil services:				
Home-to-school transportation	1,359,138	-	50,436	(1,308,702)
Food services	4,041,385	1,461,350	2,178,896	(401,139)
All other pupil services	2,541,190	-	809,163	(1,732,027)
Administration:				
Data processing	610,526	-	-	(610,526)
All other administration	7,094,631	-	124,319	(6,970,312)
Plant services	7,826,333	31,815	51,082	(7,743,436)
Ancillary services	39,589	-	-	(39,589)
Interest on long-term obligations	5,326,544	-	-	(5,326,544)
Other outgo	571,316	-	191,418	(379,898)
Total Governmental Activities	\$ 129,852,446	\$ 1,493,165	\$ 11,043,201	(117,316,080)
General revenues and subventions:				
				42,900,638
Property taxes, levied for general purposes				9,368,460
Property taxes, levied for debt service				2,473,428
Taxes levied for other specific purposes				51,545,242
Federal and state aid not restricted to specific				197,075
Interest and investment earnings				2,440,316
Miscellaneous				<u>108,925,159</u>
Subtotal, General Revenues				<u>108,925,159</u>
Change in Net Position				<u>(8,390,921)</u>
Net Position - Beginning, as restated				<u>(17,533,407)</u>
Net Position - Ending				<u>\$ (25,924,328)</u>

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

EVERGREEN SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 15,177,456	\$ 10,323,722	\$ 8,051,121
Receivables	2,845,009	14,637	5,818
Due from other funds	121,660	105,350	-
Prepaid expenditures	1,360,418	-	-
Stores inventories	49,504	-	-
Total Assets	\$ 19,554,047	\$ 10,443,709	\$ 8,056,939
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,270,721	\$ 461,182	\$ -
Due to other funds	196,700	900,178	-
Unearned revenue	1,433,699	-	-
Total Liabilities	3,901,120	1,361,360	-
Fund Balances:			
Nonspendable	1,424,922	-	-
Restricted	3,595,043	9,082,349	8,056,939
Committed	1,701,351	-	-
Assigned	24,746	-	-
Unassigned	8,906,865	-	-
Total Fund Balances	15,652,927	9,082,349	8,056,939
Total Liabilities and Fund Balances	\$ 19,554,047	\$ 10,443,709	\$ 8,056,939

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

Non Major Governmental Funds	Total Governmental Funds
\$ 1,809,321	\$ 35,361,620
365,861	3,231,325
900,500	1,127,510
-	1,360,418
82,145	131,649
<u>\$ 3,157,827</u>	<u>\$ 41,212,522</u>

\$ 177,295	\$ 2,909,198
121,660	1,218,538
-	1,433,699
<u>298,955</u>	<u>5,561,435</u>

82,345	1,507,267
2,773,108	23,507,439
-	1,701,351
3,419	28,165
-	8,906,865
<u>2,858,872</u>	<u>35,651,087</u>
<u>\$ 3,157,827</u>	<u>\$ 41,212,522</u>

EVERGREEN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds		\$ 35,651,087
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	\$ 266,006,374	
Accumulated depreciation is	<u>(104,649,686)</u>	
Net Capital Assets		161,356,688
Expenditures relating to contributions made to pension plans were recognized on the governmental funds, but are deferred on the statement of net position.		
		5,696,543
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.		
		(1,211,075)
the costs of the insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		517,647
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		
		(20,852,753)
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.		
		1,354,894
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	108,704,395	
Net OPEB obligations	17,250,413	
Mello Roos special tax bonds	1,650,000	
Arbitrage liability	21,797	
Compensated absences (vacations)	268,617	
Net pension liability	<u>80,542,137</u>	
Total Long-Term Obligations		<u>(208,437,359)</u>
Total Net Position - Governmental Activities		<u>\$ (25,924,328)</u>

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

EVERGREEN SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 87,787,602	\$ -	\$ -
Federal sources	4,768,958	-	-
Other state sources	7,566,416	-	68,268
Other local sources	6,227,852	46,276	9,314,304
Total Revenues	106,350,828	46,276	9,382,572
EXPENDITURES			
Current			
Instruction	80,164,875	-	-
Instruction-related activities:			
Supervision of instruction	4,705,725	-	-
Instructional library, media and technology	885,703	-	-
School site administration	7,024,671	-	-
Pupil services:			
Home-to-school transportation	1,234,940	-	-
Food services	-	-	-
All other pupil services	2,327,066	-	-
Administration:			
Data processing	568,307	-	-
All other administration	3,629,606	-	-
Plant services	6,858,227	308,022	-
Facility acquisition and construction	3,341	878,355	-
Ancillary services	36,238	-	-
Other outgo	571,316	-	-
Debt service			
Principal	-	-	5,785,000
Interest and other	-	-	2,764,953
Total Expenditures	108,010,015	1,186,377	8,549,953
NET CHANGE IN FUND BALANCES	(1,659,187)	(1,140,101)	832,619
Fund Balance - Beginning	17,312,114	10,222,450	7,224,320
Fund Balance - Ending	\$ 15,652,927	\$ 9,082,349	\$ 8,056,939

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

Non Major Governmental Funds	Total Governmental Funds
\$ -	\$ 87,787,602
1,938,792	6,707,750
152,368	7,787,052
2,659,341	18,247,773
4,750,501	120,530,177
-	80,164,875
-	4,705,725
-	885,703
-	7,024,671
-	1,234,940
3,714,734	3,714,734
-	2,327,066
-	568,307
-	3,629,606
112,411	7,278,660
23,977	905,673
-	36,238
-	571,316
500,000	6,285,000
103,555	2,868,508
4,454,677	122,201,022
295,824	(1,670,845)
2,563,048	37,321,932
\$ 2,858,872	\$ 35,651,087

EVERGREEN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (1,670,845)
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.	
This is the amount by which depreciation exceeds capital outlays.	
Capital outlays	\$ 1,008,042
Depreciation expense	<u>(8,065,306)</u>
Net Expense Adjustment	(7,057,264)
Proceeds received from refunding of bonds is a revenue in the governmental funds, but it increases long-term obligations in the statement of net position and does not affect the statement	(33,990,000)
Premiums received from sale of bonds is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not effect the statement of activities.	(5,574,979)
Payment of the refunded bonds is recorded as an expenditure in the governmental funds, but is a reduction of liability and does not affect the statement of activities.	37,790,000
Defeasance costs on refunding is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	873,386
Payment of principal of General Obligation Bond is an expenditure in the governmental funds, but it reduces long-term obligations in the	5,785,000
Amortization of the premium and defeasance cost 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.	1,225,198
Payment of principal on Mello Roos 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.	500,000

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 BALANCE TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2015

Payments of the retiree benefits are recorded as an expenditure in the governmental funds. However, the difference between the annual required contributions and the actual benefit payments made, is recorded as an additional expense in the statement of activities. The actual amount of the contribution was less than the annual required contributions.	(3,084,640)
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.	(2,114,916)
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.	(31,294)
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.	(1,305,190)
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.	171,619
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.	93,004
Change in Net Position of Governmental Activities	<u>\$ (8,390,921)</u>

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

EVERGREEN SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 426,035
Receivables	584
Due from other funds	91,028
Total Current Assets	517,647
 NET POSITION	
Restricted for insurance programs	517,647
Total Net Position	\$ 517,647

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, 2015**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In-district premiums	<u>\$ 1,105,741</u>
OPERATING EXPENSES	
Insurance premiums	<u>1,014,712</u>
Operating Income	91,029
NONOPERATING REVENUES	
Interest income	<u>1,975</u>
Change in Net Position	93,004
Total Net Position - Beginning	<u>424,643</u>
Total Net Position - Ending	<u><u>\$ 517,647</u></u>

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

EVERGREEN SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 1,014,712
Cash payments for insurance claims	(1,014,712)
Net Cash Provided by Operating Activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,772</u>
Net Increase in Cash and Cash Equivalents	1,772
Cash and Cash Equivalents - Beginning	424,263
Cash and Cash Equivalents - Ending	<u><u>\$ 426,035</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 91,029
Adjustments to reconcile operating income to net cash used for operating activities:	
Due to other fund	(91,029)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>

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

EVERGREEN SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	\$ <u>235,462</u>
LIABILITIES	
Due to student groups	\$ <u>235,462</u>

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

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Evergreen School 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.

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 Evergreen School 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 special revenue funds 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 function 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 \$1,701,351, \$1,701,351, and \$7,878 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, 2015

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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. 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 State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned 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.

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 approving a development (*Education Code* sections 17620-17626). 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).

Proprietary Funds 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 Internal service funds 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, 2015

Fiduciary Funds 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, 2015

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.

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.

Under the modified accrual basis, 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.

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, 2015

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, 2015 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.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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 expend able 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 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, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

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 for the difference between actual and expected rate of return on investments specific to the net pension liability.

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, 2015, 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, 2015

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.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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 1st 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, 2015

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.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer that arise from other types of events. The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$94,393,157. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 35,361,620
Proprietary funds	426,035
Fiduciary funds	235,462
Total Deposits and Investments	<u>\$ 36,023,117</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 271,645
Cash in revolving	15,200
Investments	35,736,272
Total Deposits and Investments	<u>\$ 36,023,117</u>

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.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Cost	Fair Value	Maturity Date
First American Treasury Mutual Fund	\$ 1,468	\$ 1,468	Not applicable
Transamerica Investment Contract	654,902	654,902	2018
County Pooled Investment Funds	35,079,902	35,097,723	2016
Total	\$ 35,736,272	\$ 35,754,093	

Investments restricted for debt covenants are excluded from maturity restrictions per Government code 53600.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015.

Investment Type	Cost	Fair Value	Rating as of Year End	
			AAA	Unrated
First American Treasury	\$ 1,468	\$ 1,468	\$ -	\$ 1,468
Transamerica Obligation Fund	654,902	654,902	654,902	-
County Pooled Investment Funds	35,079,902	35,097,723	-	35,097,723
Total	<u>\$ 35,736,272</u>	<u>\$ 35,754,093</u>	<u>\$ 654,902</u>	<u>\$ 35,099,191</u>

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, 2015, the District had no bank balance exposed to custodial credit risk.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 3 – RECEIVABLES

Receivables at June 30, 2015, 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
Federal Government					
Categorical aid	\$ 744,357	\$ -	\$ -	\$ 323,235	\$ 1,067,592
State Government					
Categorical aid	382,617	-	-	24,331	406,948
Lottery	1,122,355	-	-	-	1,122,355
Local Government					
Interest	33,956	13,079	5,818	2,336	55,189
Other Local Sources	561,724	1,558	-	15,959	579,241
Total	<u>\$ 2,845,009</u>	<u>\$ 14,637</u>	<u>\$ 5,818</u>	<u>\$ 365,861</u>	<u>\$ 3,231,325</u>

NOTE 4 – PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2015 consist of health insurance premiums paid to various vendors totaling 1,360,418 in the General Fund.

EVERGREEN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 26,873,690	\$ -	\$ -	\$ 26,873,690
Construction in progress	2,030,028	503,410	2,533,438	-
Total Capital Assets Not Being Depreciated	<u>28,903,718</u>	<u>503,410</u>	<u>2,533,438</u>	<u>26,873,690</u>
Capital Assets Being Depreciated:				
Buildings and improvements	230,593,373	2,936,328	-	233,529,701
Furniture and equipment	5,901,415	101,742	400,174	5,602,983
Total Capital Assets Being Depreciated	<u>236,494,788</u>	<u>3,038,070</u>	<u>400,174</u>	<u>239,132,684</u>
Total Capital Assets	<u>265,398,506</u>	<u>3,541,480</u>	<u>2,933,612</u>	<u>266,006,374</u>
Less Accumulated Depreciation:				
Buildings and improvements	92,242,727	7,738,359	-	99,981,086
Furniture and equipment	4,741,827	290,254	363,481	4,668,600
Total Accumulated Depreciation	<u>96,984,554</u>	<u>8,028,613</u>	<u>363,481</u>	<u>104,649,686</u>
Governmental Activities Capital Assets, Net	<u>\$ 168,413,952</u>	<u>\$ (4,487,133)</u>	<u>\$ 2,570,131</u>	<u>\$ 161,356,688</u>

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

Governmental Activities	
Instruction	\$ 5,724,049
Supervision of instruction	341,195
Instructional library, media, and technology	65,589
School site administration	507,537
Home-to-school transportation	91,742
Food services	275,961
All other pupil services	168,910
Ancillary services	2,571
All general administration	268,121
Data processing	42,219
Plant services	540,719
Total Depreciation Expenses Governmental Activities	<u>\$ 8,028,613</u>

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 – INTERFUND TRANSACTIONS

Interfund Receivable/Payables for the year ended June 30, 2015 consisted of the following:

		Due From				Total
		General Fund	Building Fund	Non Major Governmental Funds	Proprietary Funds	
Due To	General Fund	\$ -	\$ 105,350	\$ 322	\$ 91,028	\$ 196,700
	Building Fund	-	-	900,178	-	900,178
	Non Major Governmental Funds	121,660	-	-	-	121,660
	Total	<u>\$ 121,660</u>	<u>\$ 105,350</u>	<u>\$ 900,500</u>	<u>\$ 91,028</u>	<u>\$ 1,218,538</u>

NOTE 7 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net position by the District that is applicable to a future reporting period. The changes in the District's deferred outflow of resources during the year consisted of the following:

	Balance	Additions	Deductions	Balance
	July 1, 2014			June 30, 2015
Deferred charges on refunding	\$ 481,508	\$ 1,037,305	\$ 163,919	\$ 1,354,894
Deferred outflow from pension contributions	5,513,967	5,696,543	5,513,967	5,696,543
Total	<u>\$ 5,995,475</u>	<u>\$ 6,733,848</u>	<u>\$ 5,677,886</u>	<u>\$ 7,051,437</u>

NOTE 8 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
	Vendor payables	\$ 1,426,266	\$ 461,174	\$ 71,682
State apportionment	451,524	-	-	451,524
Salaries and benefits	291,937	8	553	292,498
Other payables	100,994	-	105,060	206,054
Total	<u>\$ 2,270,721</u>	<u>\$ 461,182</u>	<u>\$ 177,295</u>	<u>\$ 2,909,198</u>

EVERGREEN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund
Federal financial assistance	\$ 38,500
State categorical aid	422
Other local	1,394,777
Total	<u>\$ 1,433,699</u>

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, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds					
Current interest bond	\$ 76,695,000	\$ 33,990,000	\$ 43,575,000	\$ 67,110,000	\$ 5,235,000
Capital appreciation bonds	30,882,392	2,114,916	-	32,997,308	-
Premium on issuance of bond	4,247,306	5,574,979	1,225,198	8,597,087	838,344
Sub Total	111,824,698	41,679,895	44,800,198	108,704,395	6,073,344
Compensated Absences	237,323	31,294	-	268,617	-
Arbitrage Liability	21,797	-	-	21,797	-
Mello Roos	2,150,000	-	500,000	1,650,000	500,000
Net OPEB Obligation	14,165,773	4,795,787	1,711,147	17,250,413	-
Total	<u>\$ 128,399,591</u>	<u>\$ 46,506,976</u>	<u>\$ 47,011,345</u>	<u>\$ 127,895,222</u>	<u>\$ 6,573,344</u>

Payments on the general obligation bonds and Mello Roos are made by the bond interest and redemption fund and debt service fund, respectively, with local revenues. The accrued vacation and OPEB obligations will be paid by the fund for which the employee worked. Arbitrage liability will be paid by the Building fund.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2014	Issued / Accreted	Redeemed / Defeased	Outstanding June 30, 2015	
2003	Refunding	9/1/15	3-4.25%	\$ 9,670,000	\$ 1,190,000	\$ -	\$ 920,000	\$ 270,000	
2005	Refunding	9/1/24	3.0-4.5%	44,540,000	33,655,000	-	33,655,000	-	
2007	2006 A	8/1/31	4.0-6.0%	30,000,000	26,850,000	-	8,300,000	18,550,000	
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	30,882,392	2,114,916	-	32,997,308	
2012	Refunding	9/1/21	2.0-4.0%	7,700,000	7,500,000	-	50,000	7,450,000	
2015	Refunding	9/1/24	2.0-5.0%	33,990,000	-	33,990,000	650,000	33,340,000	
Subtotal				<u>\$ 155,898,712</u>	<u>\$ 107,577,392</u>	<u>\$ 36,104,916</u>	<u>\$ 43,575,000</u>	100,107,308	
								Unamortized Premiums	8,597,087
								Total	<u>\$ 108,704,395</u>

Debt Service Requirements to Maturity

The bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 5,235,000	\$ 3,095,538	\$ 8,330,538
2017	5,815,000	2,838,076	8,653,076
2018	6,285,000	2,543,026	8,828,026
2019	6,309,374	2,699,977	9,009,351
2020	6,237,576	2,789,750	9,027,326
2021-2025	31,288,639	17,593,230	48,881,869
2026-2030	15,608,437	29,461,388	45,069,825
2031-2034	12,157,536	3,944,862	16,102,398
Total	<u>88,936,562</u>	<u>\$ 64,965,846</u>	<u>\$ 153,902,408</u>
Accretion to date	11,170,746		
	<u>\$ 100,107,308</u>		

Arbitrage Rebate Liability

This liability represents the 10% excess interest income earned by the District from the proceeds of its 2007 general obligation bond issues over those currently allowed by IRS regulations. The rebate liability of \$21,797 will be due no longer than April 30, 2017 (60 days after March 1, 2017, the end of the tenth Bond year.)

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Mello Roos Special Tax Bond

The Mello-Roos Bonds were issued on behalf of the Community Facilities District No. 92-1 pursuant to the Mello-Roos Community Facilities Act of 1982. The bonds are included in the schedule of long-term debt and included in the government-wide Statement of net position and are included in the governmental Debt Service fund to provide information on the receipts and debt service payments for reporting under the bond covenants. The District has covenanted for the benefit of the owners of the Bonds that, in the event of delinquencies in the payment of Special Tax installment will initiate action to foreclose the lien, provided delinquencies are in excess of three percent (3%) of the amount of the Special Taxes levied in the applicable Fiscal Year. Delinquencies did not exceed 3% for 2014-2015.

The official statement of the refunding special tax bonds series 1998 “The Bonds are limited obligations of the District payable solely from special tax revenues pledged therefore and from amounts held in certain funds pursuant to the fiscal agent agreement. Neither the faith and credit nor the taxing power of the District, the State of California or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the bonds. The issuance of the bonds shall not directly, indirectly or contingently obligate the District, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatsoever, other than the special taxes, or to make any appropriation for their payment”.

The bonds mature through 2018, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 525,000	\$ 65,774	\$ 590,774
2017	550,000	40,374	590,374
2018	575,000	13,656	588,656
Total	<u>\$ 1,650,000</u>	<u>\$ 119,804</u>	<u>\$ 1,769,804</u>

EVERGREEN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 200	\$ 15,200
Stores inventories	49,504	-	-	82,145	131,649
Prepaid expenditures	1,360,418	-	-	-	1,360,418
Total Nonspendable	1,424,922	-	-	82,345	1,507,267
Restricted					
Educational programs	3,595,043	-	-	-	3,595,043
Capital projects	-	9,082,349	-	1,263,514	10,345,863
Debt services	-	-	8,056,939	1,293,703	9,350,642
Food services	-	-	-	215,891	215,891
Total Restricted	3,595,043	9,082,349	8,056,939	2,773,108	23,507,439
Committed					
Post employment benefits	1,701,351	-	-	-	1,701,351
Total Committed	1,701,351	-	-	-	1,701,351
Assigned					
Other	24,746	-	-	3,419	28,165
Total Assigned	24,746	-	-	3,419	28,165
Unassigned					
Reserve for economic uncertainties	3,150,215	-	-	-	3,150,215
Remaining unassigned	5,756,650	-	-	-	5,756,650
Total Unassigned	8,906,865	-	-	-	8,906,865
Total	\$ 15,652,927	\$ 9,082,349	\$ 8,056,939	\$ 2,858,872	\$ 35,651,087

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 64 retirees and beneficiaries currently receiving benefits, and 894 active plan members. 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 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.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$1,711,147 to the plan. Management and Certificated employees receive a contribution from the District amounting to the employee's choice of Kaiser or Blue Shield single employee monthly rate. Classified employees receive a flat \$300 contribution regardless of their health plan election.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 5,158,242
Interest on net OPEB obligation	566,631
Adjustment to annual required contribution	(929,086)
Annual OPEB cost	<u>4,795,787</u>
Funding by the District	
Pay-as-you-go amount	(852,399)
Current year subsidized premiums	(858,748)
Total contributions made	<u>(1,711,147)</u>
Increase in net OPEB obligation	3,084,640
Net OPEB obligation, beginning of year	14,165,773
Net OPEB obligation, end of year	<u>\$ 17,250,413</u>

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended	Annual OPEB Cost	Annual Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 4,795,787	\$ 1,711,147	36%	\$ 17,250,413
2014	4,867,299	1,643,464	34%	14,165,773
2013	4,631,697	1,678,924	36%	10,941,938

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	\$ -	\$ 40,133,096	\$ 40,133,096	0%	\$ 63,359,043	63%
July 1, 2012	-	38,240,571	38,240,571	0%	63,140,005	61%
July 1, 2010	-	31,312,829	31,312,829	0%	62,937,126	50%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), based on the long-term rate of earnings that the District expects to earn on its investments. Healthcare cost trend rates were assumed to increase at a rate of 5.2 percent. The UAAL is being amortized on a closed basis method using the level dollar method. The remaining amortization period at July 1, 2014, was 24 years.

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, 2015, 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 2015, 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, 2015

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 implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 70,072,007	\$ 4,498,323	\$ 17,255,099	\$ 6,049,477
CalPERS	10,470,130	1,198,220	3,597,654	930,581
Total	<u>\$ 80,542,137</u>	<u>\$ 5,696,543</u>	<u>\$ 20,852,753</u>	<u>\$ 6,980,058</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, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: 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.

EVERGREEN SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

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, 2015, are presented above and the District's total contributions were \$4,963,795.

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

At June 30, 2015, 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	\$ 70,072,007
State's proportionate share of the net pension liability associated with the District	42,312,503
Total	<u>\$ 112,384,510</u>

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2014, the District's proportion was 0.1199 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,002,865 and revenue of \$3,002,865 for support provided by the State. At June 30, 2015, 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	\$ 4,498,323	\$ -
Net differences between projected and actual earnings on plan investments	-	17,255,099
Total	<u>\$ 4,498,323</u>	<u>\$ 17,255,099</u>

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 4,313,775
2017	4,313,775
2018	4,313,775
2019	4,313,774
Total	<u>\$ 17,255,099</u>

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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 (7.60 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 (6.60%)	\$ 109,223,933
Current discount rate (7.60%)	\$ 70,072,007
1% increase	\$ 37,426,416

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically 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, 2015

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, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015, are presented above and the total District contributions were \$1,198,219.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.0922 percent.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$930,581. At June 30, 2015, 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	\$ 1,198,220	\$ -
Net differences between projected and actual earnings on plan investments	-	3,597,654
Total	<u>\$ 1,198,220</u>	<u>\$ 3,597,654</u>

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 899,414
2017	899,414
2018	899,413
2019	899,413
Total	<u>\$ 3,597,654</u>

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 (6.50%)	\$ 18,366,999
Current discount rate (7.50%)	\$ 10,470,130
1% increase (8.50%)	\$ 3,871,501

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, 2015.

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, 2015.

EVERGREEN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 Chief Financial Officer to the Governing Board of SBASIA, CSACEIA and Director of Operations Support Services, Rob Smiley to the EVT.

During the year ended June 30, 2015, the District made payments of \$628,886, \$1,014,712, and \$416,374 to SBASIA, CSACEIA, and EVT, respectively for services rendered.

NOTE 17 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Under the provisions of GASB 68, the District recognized pension liabilities and restated its beginning net position as follows:

Statement of Net Position

Net Position - Beginning	\$ 76,859,750
Restatement of pension liabilities	<u>(94,393,157)</u>
Net Position - Beginning as Restated	<u><u>\$ (17,533,407)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

EVERGREEN SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive
				(Negative)
			Final	to Actual
REVENUES				
Local control funding formula	\$ 87,143,331	\$ 87,540,256	\$ 87,787,602	\$ 247,346
Federal sources	4,380,717	4,942,866	4,768,958	(173,908)
Other state sources	3,673,441	4,501,807	4,563,551	61,744
Other local sources	4,025,163	5,145,699	6,219,976	1,074,277
Total Revenues ¹	99,222,652	102,130,628	103,340,087	1,209,459
EXPENDITURES				
Current				
Certificated salaries	55,576,908	56,493,059	56,764,912	(271,853)
Classified salaries	9,852,058	10,315,640	10,044,753	270,887
Employee benefits	25,664,738	25,092,198	25,017,565	74,633
Books and supplies	4,201,400	4,656,985	4,894,081	(237,096)
Services an doperating expenditures	7,605,222	7,689,932	7,693,874	(3,942)
Other outgo-excluding transfers of indirect costs	39,248	334,426	571,316	(236,890)
Capital outlay	282,010	-	20,652	(20,652)
Total Expenditures ¹	103,221,584	104,582,240	105,007,153	(424,913)
NET CHANGE IN FUND BALANCES	(3,998,932)	(2,451,612)	(1,667,066)	784,546
Fund Balance - Beginning	15,618,642	15,618,642	15,618,642	-
Fund Balance - Ending	\$ 11,619,710	\$ 13,167,030	13,951,576	\$ 784,546
Special Reserve Fund For Postemployment Benefits			1,701,351	
Fund Balance - General Fund GAAP Basis			\$ 15,652,927	

¹ For comparison purposes, on behalf payments of \$3,002,865 and Fund 20, Special Reserve Fund for Postemployment Benefits, are excluded from this comparison schedule.

EVERGREEN SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	\$ -	\$ 40,133,096	\$ 40,133,096	0%	\$ 63,359,043	63%
July 1, 2012	-	38,240,571	38,240,571	0%	63,140,005	61%
July 1, 2010	-	31,312,829	31,312,829	0%	62,937,126	50%

Note: The District has committed funds in Retiree Benefit Special Reserve fund in the amount of \$1,701,351 as of June 30, 2015. These amounts although committed for payment of the OPEB liability are revocable and hence are not included in the actuarial value of assets.

EVERGREEN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PENSION PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.1199%</u>
District's proportionate share of the net pension liability	\$ 70,072,007
State's proportionate share of the net pension liability associated with the District	<u>42,312,503</u>
Total	<u><u>\$ 112,384,510</u></u>
District's covered - employee payroll	<u>\$ 50,656,968</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>138%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability (asset)	<u>0.0922%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 10,470,130</u>
District's covered - employee payroll	<u>\$ 9,735,849</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

EVERGREEN SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 4,963,795
Contributions in relation to the contractually required contribution	<u>4,963,795</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	<u>\$ 56,656,968</u>
Contributions as a percentage of covered - employee payroll	<u>8.76%</u>
 CalPERS	
Contractually required contribution	\$ 1,198,219
Contributions in relation to the contractually required contribution	<u>1,198,219</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	<u>\$ 10,472,115</u>
Contributions as a percentage of covered - employee payroll	<u>11.44%</u>

Note : In the future, as data become 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, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I - Basic grants low-income and neglected	84.010	14981	\$ 1,582,228
Title I - Program improvement LEA corrective Action	84.010	14955	105,422
Migrant education - regular program	84.011	14326	38,556
Improving teacher quality	84.367	14341	229,507
English language acquisition	84.365	14346	277,897
Special education cluster:			
Basic local assistance	84.027	13379	2,069,610
Local assistance, private school	84.027	10115	5,454
Preschool grants	84.173	13430	63,102
Preschool local entitlement	84.027A	13682	115,230
Mental health allocation plan	84.027A	14468	124,469
Preschool staff development	84.173A	13431	630
Total U.S Department of Education			<u>4,612,105</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child nutrition cluster			
School breakfast program	10.553	13526	265,240
National school lunch	10.555	13396	1,673,551
National school lunch - Commodity ¹	10.555	13396	242,704
Total U.S. Department of Agriculture			<u>2,181,495</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through CDE:			
Medical Assistance Program	93.778	10013	156,854
Total Federal Grants			<u>\$ 6,950,454</u>

¹ Commodities are not recorded on the financial statement.

See accompanying note to supplementary information.

EVERGREEN SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

The Evergreen School 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>
Vince Songcayawon	President	2016
Bonnie Mace	President Pro Tem	2016
Jim Zito	Clerk	2018
Sylvia Alvarez	Trustee	2018
Sylvia Arenas	Trustee	2018

ADMINISTRATION

Katherine Gomez	Superintendent
Biling (Nelly) Yang	Chief Business Officer

See accompanying note to supplementary information.

EVERGREEN SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,057.91	5,053.78
Fourth through sixth	4,488.33	4,491.00
Seventh and eighth	2,936.07	2,934.77
Total Regular ADA	<u>12,482.31</u>	<u>12,479.55</u>
Extended Year Special Education		
Transitional kindergarten through third	4.09	4.09
Fourth through sixth	3.29	3.29
Seventh and eighth	1.40	1.40
Total Extended Year Special Education	<u>8.78</u>	<u>8.78</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.00	0.93
Fourth through sixth	1.19	1.34
Seventh and eighth	2.40	2.34
Total Special Education, Nonpublic, Nonsectarian Schools	<u>4.59</u>	<u>4.61</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.13	0.13
Fourth through sixth	0.34	0.34
Seventh and eighth	0.32	0.32
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.79</u>	<u>0.79</u>
Total ADA	<u>12,496.47</u>	<u>12,493.73</u>

See accompanying note to supplementary information.

EVERGREEN SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87	Reduced	2014-2015 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	36,000	180	Not applicable	Complied
Grades 1 - 3	50,400	49,000				
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	52,500				
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	52,500				
Grade 7			58,202	180	Not applicable	Complied
Grade 8			58,202	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, 2015**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Retiree Benefit Special Reserve Fund
FUND BALANCE		
Balance, June 30, 2015, Unaudited Actuals	\$ 13,951,576	\$ 1,701,351
To conform with GASB 54, the District consolidated Fund 20, Retiree Benefit Special Reserve Fund into General Fund.	1,701,351	(1,701,351)
Balance, June 30, 2015, Audited Financial Statement	<u>\$ 15,652,927</u>	<u>\$ -</u>

See accompanying note to supplementary information.

EVERGREEN SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 113,844,453	\$ 103,340,085	\$ 96,293,211	\$ 91,135,797
Expenditures	109,870,445	105,007,150	99,061,982	96,040,892
INCREASE (DECREASE) IN FUND BALANCE	\$ 3,974,008	\$ (1,667,065)	\$ (2,768,771)	\$ (4,905,095)
ENDING FUND BALANCE	\$ 17,925,585	\$ 13,951,577	\$ 15,618,642	\$ 18,387,413
AVAILABLE RESERVES ²	\$ 8,906,864	\$ 8,906,865	\$ 10,692,221	\$ 14,164,419
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	8.11%	8.48%	10.79%	14.75%
LONG-TERM OBLIGATIONS	\$ 121,321,878	\$ 127,895,222	\$ 128,399,591	\$ 128,529,550
K-8 AVERAGE DAILY ATTENDANCE AT P-2	12,223	12,496	12,851	13,003

The General Fund balance has decreased by \$4,435,836 over the past two years. The decrease mainly is because of the \$1.6, \$2.8 and \$4.9 million deficit spending in 2015, 2014 and 2013, respectively. The fiscal year 2015-2016 budget projects a fund balance increase of \$3,974,008. 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 deficits in all of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$634,328 over the past two years.

Average daily attendance has decreased by 507 over the past two years. A decrease of 273 ADA is anticipated during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances contained within the General Fund.

³ On-behalf payments of \$3,002,865, \$2,896,397 and \$2,736,704, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2015, 2014 and 2013.

⁴ 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, 2015**

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 155,632	\$ 3,414	\$ 357,144
Receivables	358,848	5	6,436
Due from other funds	500	-	900,000
Stores inventories	82,145	-	-
Total Assets	\$ 597,125	\$ 3,419	\$ 1,263,580
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 177,229	\$ -	\$ 66
Due to other funds	121,660	-	-
Total Liabilities	298,889	-	66
Fund Balances:			
Nonspendable	82,345	-	-
Restricted	215,891	-	1,263,514
Assigned	-	3,419	-
Total Fund Balances	298,236	3,419	1,263,514
Total Liabilities and Fund Balances	\$ 597,125	\$ 3,419	\$ 1,263,580

See accompanying note to supplementary information.

Mello Roos Debt Service Fund	Total Non Major Governmental Funds
\$ 1,293,131	\$ 1,809,321
572	365,861
-	900,500
-	82,145
<u>\$ 1,293,703</u>	<u>\$ 3,157,827</u>

\$ -	\$ 177,295
-	121,660
<u>-</u>	<u>298,955</u>

-	82,345
1,293,703	2,773,108
-	3,419
<u>1,293,703</u>	<u>2,858,872</u>
<u>\$ 1,293,703</u>	<u>\$ 3,157,827</u>

EVERGREEN SCHOOL DISTRICT

**NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ 1,938,792	\$ -	\$ -
Other state sources	152,368	-	-
Other local sources	1,628,337	16	409,570
Total Revenues	<u>3,719,497</u>	<u>16</u>	<u>409,570</u>
EXPENDITURES			
Current			
Pupil services:			
Food services	3,714,734	-	-
Plant services	80,873	-	31,538
Facility acquisition and construction	-	-	23,977
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>3,795,607</u>	<u>-</u>	<u>55,515</u>
NET CHANGE IN FUND BALANCES	(76,110)	16	354,055
Fund Balance - Beginning	374,346	3,403	909,459
Fund Balance - Ending	<u>\$ 298,236</u>	<u>\$ 3,419</u>	<u>\$ 1,263,514</u>

See accompanying note to supplementary information.

Mello Roos Debt Service Fund	Total Non Major Governmental Funds
\$ -	\$ 1,938,792
-	152,368
621,418	2,659,341
<u>621,418</u>	<u>4,750,501</u>
-	3,714,734
-	112,411
-	23,977
500,000	500,000
103,555	103,555
<u>603,555</u>	<u>4,454,677</u>
17,863	295,824
1,275,840	2,563,048
<u>\$ 1,293,703</u>	<u>\$ 2,858,872</u>

EVERGREEN SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 Balance:		\$ 6,707,750
Commodities are not recorded on the financial statement.	10.555	242,704
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,950,454</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 nor exceeded 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, 2015

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 Balance

The Non Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance 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 Balance.

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 (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2015. Our report included an emphasis of matter regarding the District's implementation of GASB Statement No. 68, *Accounting and Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinch, Trine, Day & Co. LLP

Palo Alto, California

November 24, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Evergreen School District
Palo Alto, California

Report on Compliance for Each Major Federal Program

We have audited Evergreen School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Evergreen School District's (District) major federal programs for the year ended June 30, 2015. 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 laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

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 OMB Circular A-133, 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 24, 2015



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 (District) compliance with the types of compliance requirements as identified in the [2014-2015 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 District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 [2014-2015 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 on Each of the State Programs

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, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No
Middle or Early College High Schools	No
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No
Adult Education Maintenance of Effort	No
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No
Mode of Instruction	No
Non Classroom-Based Instruction/Independent Study	No
Determination of Funding for Non Classroom-Based Instruction	No
Annual Instruction Minutes Classroom-Based	No
Charter School Facility Grant Program	No

The District did not offer a Work Experience Program within the Continuation Education Program, Early Retirement Incentive Program, Adult Education Maintenance of Effort, regional Occupation Program, Juvenile Court Schools, Middle or Early College Program, Before School Safety Program or Charter Schools; therefore, we did not perform any procedures for these Programs.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
November 24, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EVERGREEN SCHOOL DISTRICT

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<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>None reported</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 .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553</u>	<u>Child Nutrition Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</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, 2015**

None reported.

EVERGREEN SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

EVERGREEN SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

EVERGREEN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no audit findings reported in the prior year's schedule of financial statement findings.