



December 13, 2024

To the Governing Board of  
San Jose Unified School District  
San Jose, California

We have audited the financial statements of San José Unified School District (District) as of and for the year ended June 30, 2024, and have issued our report thereon dated December 13, 2024. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated June 26, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District major federal program compliance, is to express an opinion on the compliance for each of the District major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated December 13, 2024. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 13, 2024.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- *Management Override of Controls* – professional standards require auditors to address the possibility of management overriding controls. Accordingly, we considered the possibility that management of the organization may have the ability to override controls that the organization has implemented. Management may override the organization's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the organization's financial performance or with the intent of concealing fraudulent transactions. We are pleased to report that no such matters were identified during our audit.
- *Improper Revenue Recognition* – professional standards require auditors to presume that revenue recognition is a fraud risk. Therefore, improper revenue recognition was identified as a fraud risk due to possibility that revenue is not recorded in the proper period, in the incorrect amount, etc. either due to error or fraud. We are pleased to report that no actual instances were identified during our audit.
- *Estimates* – Generally Accepted Auditing Standards require a presumed risk of management bias when assumptions are used to calculate significant account balances, which for the District applies to pension, other post-employment benefits, and claims.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are other postemployment benefits (OPEB), the net pension liabilities (NPL) and related deferrals, and District's insurance claims liabilities.

Management's estimate of the amounts presented in the financial statements are based on actuarial valuations performed by management specialists. We evaluated the key factors and assumptions used to develop these liabilities and determined that they were reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- **Note 1** summarizes the District's significant accounting policies.
- **Notes 7 and 10** describes the valuation of the District's net pension liability, other postemployment benefits liability, and related deferred outflows and inflows of resources. Such amounts are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed, a one percent increase or decrease in the discount rate has a material effect on the estimates.
- **Notes 12** describes the restatement of prior year's lease receivables reported in the building fund.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Facilities lease receivables reported in the Building Fund (SACS Fund 21) were reduced by \$3.7 million, of which \$2.6 million related to amounts recorded during a previous fiscal year, while \$1.1 million was incorrectly recorded as current year revenues. The Fund was further adjusted to reflect a deferred inflow of resources of unavailable revenues for receivables liquidated past the modified accrual availability period of one-year. The similar corresponding entries were also adjusted to governmental activities net position, except for the unavailable revenue which is not applicable to the accrual basis of accounting.

The effects of the adjustments was a decrease in the balance of facilities lease receivables reported in the Building Fund and net position/fund balance as of June 30, 2024 by the amount of the adjustment noted above.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- *General Fund and Governmental Activities Net Position*, overstatement of cash and an understatement of accounts payable for \$1.9 million with no effect on ending fund balance.
- *Governmental Activities Net Position*, understatement of liabilities for the CalSTRS Medical Program by \$1.2 million. The program has been closed to new entrants for new years and the liability will continue decreasing. The effect on ending net position is an overstatement by the same amount.
- *Bond Interest and Redemption Fund*, understatement of the opening balances of revenues and fund balance for \$986 thousand, and overstatement of the same accounts for current year activity by \$600 thousand, with an effect on the ending fund balance being an understatement of \$426 thousand for net unrealized investment gains and losses.
- *County School Facilities Fund*, understatement of the opening balances and of revenues and fund balance for \$149 thousand, and overstatement of the same accounts for current year activity by \$146 thousand, with an effect on the ending fund balance being an understatement of \$3 thousand for net unrealized investment gains and losses.
- *Student Activities Fund*, overstatement of the revenue and fund balance accounts for current year activity by \$199 thousand, with an effect on the ending fund balance being an overstatement of the same amount.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We identified the following circumstances that affect the form and content of our auditor's report:

- Our Independent Auditor's Report contains a paragraph about the correction of an error.
- Our 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* refers to a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be material weakness in internal control over financial reporting.

## **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 13, 2024.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

The District's financial statements include the financial statements of the District and the San José Unified School District Financing Corporation, a blended component unit of the District. For the purposes of our audit, we consider the District to be a significant component of the financial statements; however we do not consider San José Unified School District Financing Corporation to be a significant component of the financial statements. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the District and San José Unified School District Financing Corporation and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the District and San José Unified School District Financing Corporation and completion of further audit procedures.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

*Eide Bailly LLP*

Menlo Park, California