

**FREMONT UNION
HIGH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**

FREMONT UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fremont Union High School District
Sunnyvale, 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 Fremont Union High School District (the 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Fremont Union High School 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 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 postemployment benefit schedule of funding progress, management's discussion and analysis, budgetary comparison schedule, and schedule of the District's net pension liability and contribution, 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 Fremont Union High School District's basic financial statements. The accompanying supplementary information listed in the table of contents, including 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December , on our consideration of the Fremont Union High School 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 Fremont Union High School District's internal control over financial reporting and compliance.



Palo Alto, California
December 1, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

This section of Fremont Union High School District's (FUHSD) annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section. Comparative analyses are presented in the tables that follow:

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Fremont Union High School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting and include the governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The financial statements also include notes that explain some of the information in the statements and provide detailed data. The statements are followed by a section of required supplementary budget information that further explains and supports the financial statements.

The Primary unit of the government is the Fremont Union High School District.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The economy has improved. Much of the state's education policy now revolves around the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan (LCAP).

The District continues to rely upon the \$5.2 million received annually from the parcel tax that was originally approved by the voters in November 2004. In May of 2010, District voters renewed the parcel tax for a period of six years. The Parcel Tax was again renewed on November 4, 2014 for an additional six years, commencing July 1, 2016. In accordance with the ballot language, the funds are used to preserve core academic classes and retain experienced teachers. The District has been careful to track the particular programs funded through parcel tax revenues.

On November 4, 2014 voters also approved a Proposition 39 bond known as Measure K. In April, the District issued the first series of bonds under the 2014 Measure K bond authorization. The par amount of the Series 2015 bonds was \$100,000,000. In June, the District issued refunding bonds to refund all of the outstanding 2005 General Obligation Refunding Bonds, a portion of the outstanding General Obligation Bonds, Election of 2008, Series 2008, and a portion of the outstanding General Obligation Bonds, Election of 2008, Series 2011B. The refunding generated approximately \$23.2 million in present value savings (or 14.8% of refunded bond par amount) and converted all of the District's callable capital appreciation bonds (CABs) to traditional current interest bonds. The par amount of the 2015 GO Refunding was \$156,115,000.

The Series 2015 and 2015 GO Refunding Bonds were both issued as tax-exempt bonds. The tax-exempt status of the bonds allows the District to borrow at lower rates (compared to similar taxable bonds).

As required by the Education Code of the State and the 2008 Measure B and 2014 Measure K bond authorizations, the District has established a Citizens' Oversight Committee to review the District's expenditure of bond proceeds and its progress in completing the projects specified in the measure, and to make periodic reports to the public in order to ensure that bond funds are spent only for authorized purposes. At their January 20, 2015 meeting, the Board combined the Measure B and Measure K oversight committees and incorporated responsibility for oversight of the 2014 Measure J parcel tax into one committee named "Fremont Union High School District's Bond and Parcel Tax Citizens' Oversight Committee". The committee is comprised of community members representing the business community within the District, senior citizens organization, taxpayers organization, parent or guardian of a child enrolled in the District, parent or guardian of a child enrolled in the District who is active in a parent-teacher organization and the public at large. Members are appointed for two year terms.

The District's residency verification program continued in 2014-15 as the District remains committed to this effort. The program now contains a full time investigator and two part time investigators along with a manager and clerical support positions. Enrollment continues to escalate, topping 10 thousand this year, making the residency efforts even more important. Though all of our schools have seen increases the greatest impact has been at Cupertino, Homestead and Fremont High Schools. Each of these schools are projected to have enrollment of over 2,500 in the next six years.

The relationship between all of our bargaining groups continues to be collaborative and positive. This includes our Classified Union – CSEA, our Certificated Union – FEA, and our newest bargaining group AFT which represents our Adult and Community Education employees.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

2014-15 marked the third consecutive year that each bargaining group participating in the Revenue Sharing Process saw positive returns.

The District had meetings with both Moody's Investor Services and Standard & Poor's in connection with the issuance of the Series 2015 bonds. Standard & Poor's affirmed the District's "AAA" rating. The District has the highest rating given out by Standard & Poor's (and is incidentally rated higher than the nation)! Standard & Poor's cited the District's entrenchment in basic aid status, strong operations, and maintenance of very strong reserves as the basis for the affirmation. Moody's also affirmed their "Aa1" rating, which is already the highest rating that Moody's gives out to California school districts.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. Net position is the difference between assets and liabilities, and is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is shown in the District's operating results. Since the Board's responsibility is to provide services to students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of education and the safety of our schools will be important components in this evaluation.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

In the *Statement of Net Position* and the *Statement of Activities*, we include the District activities as follows:

Governmental activities - All of the District's services are reported in this category. This includes the education of kindergarten through twelfth grade students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, Federal, state, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. and California Departments of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences in results between the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Fund Net Position*. We use internal service funds (a type of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, such as the funds for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*.

These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$33.53 million for the fiscal year ended June 30, 2015. Of this amount, \$70.92 million deficit was unrestricted. 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. The analysis below focuses on net position (Table 1) and the change in net position (Table 2) of the District's governmental activities.

TABLE 1

(Amounts in millions)	<u>2014</u>	<u>2015</u>	<u>CHANGE</u>
Current and other assets	\$ 121.24	\$ 199.54	\$ 78.30
Capital assets	347.91	366.56	18.65
Total Assets	<u>469.15</u>	<u>566.10</u>	<u>96.95</u>
Current liabilities	20.60	11.38	(9.22)
Long-term liabilities	314.07	506.82	192.75
Total Liabilities	<u>334.67</u>	<u>518.20</u>	<u>183.54</u>
Net Position			
Net investment in capital assets	62.34	73.33	10.99
Restricted	25.77	31.13	5.36
Unrestricted: excluding pension activities	46.38	37.17	(9.21)
Unrestricted: related to pension activities*	-	(108.10)	(108.10)
Total Net Position	<u>\$ 134.49</u>	<u>\$ 33.53</u>	<u>\$ 7.14</u>

* The negative \$108.10 million in 2014-15 are activities related to the implementation of GASB 68. This amount includes the sum of \$7.56 million for 2014-15 employer pension contribution, (\$90.98) million District proportionate share of CalPERS and CalSTRS pension liability and (\$24.68) million of difference between actual and expected rate of investment return on CalPERS and CalSTRS. 2013-14 does not include GASB 68 implementation.

The \$37.17 million and negative \$108.10 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. It means that if the District had to pay off all of its bills today including all of its non-capital liabilities (compensated absences and pension liability as examples), there would be \$70.92 million in deficit. The total unrestricted deficit amount of \$70.92 million is the result of adaption of GASB statement No. 68, *Accounting and Financial Reporting for Pension*, by the District in the current year. Though listed as unrestricted for purposes of this report, the \$37.17 million is committed or assigned to various programs of the District.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see the total revenues for the year.

TABLE 2

(Amounts in millions)

<u>REVENUES</u>	<u>2014*</u>	<u>2015</u>	<u>CHANGE</u>
Program revenues:			
Charges for services	\$ 0.49	\$ 1.01	\$ 0.52
Operating grants and contributions	9.42	14.99	5.58
Federal and state sources	6.04	6.41	0.38
Property taxes	119.86	128.09	8.23
Other general revenue	15.84	10.81	(5.03)
Total Revenues	<u>151.64</u>	<u>161.31</u>	<u>9.67</u>
<u>EXPENSES</u>			
Instruction	73.42	79.60	6.18
Instruction-related services	20.14	22.70	2.55
Pupil services	15.17	16.68	1.51
General administration	7.04	8.08	1.04
Plant services	11.74	14.35	2.61
Ancillary services	0.16	0.32	0.16
Interest on long-term debt	15.43	12.79	(2.64)
Other outgo	0.05	0.04	(0.01)
Total Expenditures	<u>143.14</u>	<u>154.55</u>	<u>11.40</u>
NET CHANGE IN POSITION	<u>\$ 8.50</u>	<u>\$ 6.76</u>	<u>\$ (1.73)</u>

* 2013-14 data does not reflect the impact of the adoption of GASB 68.

Governmental Activities

As reported in the Statement of Activities on page 16 the cost of all governmental activities this year was \$154.55 million. However, the amount that the taxpayers ultimately financed for these activities through local taxes was \$128.09 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions (\$14.99 million). The District paid for the remaining "public benefit" portion of our governmental activities with \$18.23 million in state revenue limit sources, State funds and with other revenues, such as interest and general entitlements.

FREMONT UNION HIGH SCHOOL DISTRICT

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

Table 3 below presents the net cost of each of the District’s largest functions. As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

TABLE 3

(Amounts in millions)	2014	2015	CHANGE
Instruction	\$ 67.75	\$ 72.70	\$ 4.95
Instruction-related services:			
Supervision of instruction	4.03	4.03	(0.0)
Instructional library, media and technology	2.04	2.48	0.44
School administration	13.53	15.07	1.54
Pupil services:			
Home-to-school transportation	2.61	2.34	(0.27)
Food services	2.49	2.53	0.04
All other pupil services	8.07	9.52	1.46
General administration:			
Data processing	0.21	0.43	0.22
All other general administration	6.25	7.23	0.98
Plant services	11.74	14.32	2.58
Ancillary services	0.16	0.32	0.16
Community services	0.01	0.01	(0.0)
Interest on long-term debt	15.43	12.79	(2.64)
Other outgo	(1.07)	(5.22)	(4.15)
TOTAL NET COST	\$ 133.24	\$ 138.54	\$ 5.31

Other General Administration activities include fiscal services, personnel services, and central support services. This category includes attendance recording and reporting activities performed at the District level. This category also includes all other costs of property or general liability insurance not charged to a specific function. In addition, the costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

- 50 percent to Instructional Supervision and Administration (Function 2100).
- 50 percent to Other General Administration (Function 7200).

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds had a reported combined fund balance of \$191.77 million, which is an increase of \$86.44 million from last year.

The primary reasons for these changes are:

- a) The General Fund is the principal operating fund. The fund balance in the General Fund increased from \$24.53 million to \$26.28 million. This increase was primarily the balance of unspent Prop. 30 funding.
- b) The Building fund showed an increase from \$51.68 million to \$129.36 million. This was primarily due to a combination of spending down Measure B projects, and the first series of the Measure K bonds issued in April, 2015.
- c) The Bond Interest and Redemption fund increased from \$18.58 million to \$26.54 million. This was primarily due to an increase in funds set aside for future debt redemption associated with the new bond sale.

General Fund Budgetary Highlights

The Education Code requires that all school districts adopt a budget by July 1, and then twice a year submit to their County Offices of Education interim financial reports. These first and second interim reports reflect the status of district finances as of October 31 and January 31. Year-end actuals are submitted by September 15.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 10, 2014. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the annual report on page 66.

Significant revenue and expenditure revisions to the 2015-16 budgets were made. This is primarily due to salary increases and school site carryover from 2014-15 at the time of budget adoption.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 16, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66).

- Significant revenue revisions made to the 2014-2015 Budget were due to the bargaining settlement reached during 2014-15: 4.896% increased for FEA, 4.24% for CSEA, and 4.245% for FMA.
- Decreases in Books and Supplies categories due to carryovers of departments and school sites to be budgeted in 2015-16 Fiscal Year.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$366.56 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, depreciation and disposal) of \$18.65 million from last year.

TABLE 4

(Amounts in millions)	Governmental Activities		
	2014	2015	CHANGE
Land	\$ 1.96	\$ 1.96	\$ 0.0
Construction in progress	19.17	20.03	0.87
Buildings and improvements	373.81	399.66	25.85
Furniture and equipment	5.11	6.09	0.98
Total Assets	400.04	427.74	27.70
Less Accumulated Depreciation	(52.14)	(61.18)	(9.05)
Totals	<u>\$ 347.91</u>	<u>\$ 366.56</u>	<u>\$ 18.65</u>

This year's additions included school modernization of \$126.83 million, and equipment of \$0.48 million. Several capital projects are planned for completion in the 2015-2016 year. More information about our capital assets is presented in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$415.85 million in long-term debt outstanding versus \$314.07 million last year, an increase of 32.41 percent.

TABLE 5

(Amounts in millions)	Government Activities		
	2014	2015	CHANGE
General obligation bonds and premiums	\$ 304.18	\$ 403.55	\$ 99.37
Compensated absences	0.81	1.42	0.61
Other postemployment benefits obligations	9.07	10.88	1.80
Totals	<u>\$ 314.07</u>	<u>\$ 415.85</u>	<u>\$ 101.78</u>

The District's general obligation bond rating is Aa1 (based on Moody's Investor Services) and AAA (based on Standard & Poor's). The State limits the amount of general obligation debt that the District can issue. The District's outstanding general obligation bond debt of \$403.55 million is below this limit.

Other obligations include compensated absences payable. More detailed information regarding our long-term liabilities is presented in Note 9 of the financial statements.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The District has an estimated liability of \$10.88 million for OPEB (other post-employment benefits). During fiscal year 2006-2007 the District established an irrevocable trust with American United Life that is administered by MidAmerica to fund this liability. The trust had a restricted fund balance of \$6.89 million at June 30, 2015. The formation of this irrevocable trust protects the funds set aside for retiree benefits and was an important element to the District being an early adopter of GASB 45, implementing the requirements three years ahead of schedule.

Net Pension Liability (NPL)

GASB Statements No. 68 and No. 71 introduce new requirements for accrual-basis recognition by state and local governments of employer costs and obligations for pensions. Under the new accounting standards, if the present value of benefits earned by all employees participating in the CalSTRS and CalPERS pension plan exceeds the resources accumulated by the pension plan to benefits, LEAs must now report in their government wide financial statements their proportionate share of the plan's net pension liability. At present, both CalSTRS and CalPERS have a net pension liability. The district implemented GASB Statement No. 68 and No. 71 for the fiscal year ended June 30, 2015. (See Notes 14 and 19 to the accompanying financial statements).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's 2015-2016 Budget

District Administration is projecting that its financial position will improve for the 2015-16 Budget. The State enacted the Local Control Funding Formula (LCFF) to replace revenue limits and most categorical programs, commencing in 2015-16. This is the most sweeping reform of the state's school finance system since the enactment of Senate Bill 90 in the early 1970's, the Legislature's response to the landmark Serrano court decision.

Enrollment is projected to increase by approximately 81 students, but we are uncertain about the economy's impact on long term projections. Current projections show a 10 year period of increasing enrollment. In the area of employee compensation, there is no salary increase budgeted for 2015-16.

The Homestead and Fremont High School Cafeteria/Kitchen/Classroom projects are under construction and should be completed by summer of 2015. The Homestead Boiler/Infrastructure project is slated to be completed by the end of 2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the office of Christine Mallery, Chief Business Officer/Associate Superintendent, at the Fremont Union High School District, 589 W. Fremont Avenue, Sunnyvale, California, (408) 522-2245.

FREMONT UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	\$ 193,711,623
Receivables	5,481,551
Prepaid expenses	286,103
Stores inventories	63,835
Capital assets not depreciated	21,991,756
Capital assets, net of accumulated depreciation	344,565,079
Total Assets	566,099,947
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	2,753,582
Current year pension contributions	7,555,491
Total Deferred Outflows of Resources	10,309,073
LIABILITIES	
Accounts payable	6,856,191
Interest payable	4,110,350
Unearned revenue	243,006
Claims liability	170,093
Current portion of long-term obligations other than pensions	14,965,471
Noncurrent portion of long-term obligations other than pensions	400,882,591
Aggregate net pension liability	90,975,957
Total Liabilities	518,203,659
DEFERRED INFLAWS OF RESOURCES	
Difference between actual and expected rate of investment return	24,675,521
NET POSITION	
Net investment in capital assets	73,328,142
Restricted for:	
Debt service	22,428,762
Capital projects	3,579,094
Educational programs	4,550,982
Self insurance	502,966
Food programs	64,211
Unrestricted	(70,924,317)
Total Net Position	\$ 33,529,840

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

FREMONT UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 79,597,526	\$ 78,846	\$ 6,821,141	\$ 859	\$ (72,696,680)
Instruction-related activities:					
Supervision of instruction	4,580,449	3,633	549,133	-	(4,027,683)
Instructional library, media, and technology	2,513,806	298	34,528	-	(2,478,980)
School site administration	15,601,830	8,913	520,326	-	(15,072,591)
Pupil services:					
Home-to-school transportation	2,341,320	-	-	-	(2,341,320)
Food services	3,130,150	3	603,793	-	(2,526,354)
All other pupil services	11,205,067	-	1,683,144	-	(9,521,923)
Administration:					
Data processing	434,109	-	-	-	(434,109)
All other administration	7,645,983	3,462	411,549	-	(7,230,972)
Plant services	14,347,942	709	29,019	-	(14,318,214)
Ancillary services	317,502	-	-	-	(317,502)
Community services	10,781	-	-	-	(10,781)
Interest on long-term obligations	12,787,496	-	-	-	(12,787,496)
Other outgo	32,493	914,275	4,340,125	-	5,221,907
Total Governmental Activities	\$ 154,546,454	\$ 1,010,139	\$ 14,992,758	\$ 859	(138,542,698)
General revenues and subventions:					
					99,410,664
					23,541,259
					5,135,797
					6,412,277
					310,937
					10,495,557
					<u>145,306,491</u>
					Change in Net Position
					6,763,793
					134,485,248
					(107,719,201)
					<u>\$ 33,529,840</u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 25,587,604	\$ 131,296,500	\$ 26,516,331
Receivables	4,403,831	793,735	22,781
Due from other funds	242,159	86,651	-
Prepaid expenditures	36,414	-	-
Stores inventories	-	-	-
Total Assets	\$ 30,270,008	\$ 132,176,886	\$ 26,539,112
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,864,663	\$ 2,708,909	\$ -
Due to other funds	86,661	-	-
Unearned revenue	41,313	106,480	-
Total Liabilities	3,992,637	2,815,389	-
Fund Balances:			
Nonspendable	51,414	-	-
Restricted	4,506,309	107,565,598	26,539,112
Committed	-	-	-
Assigned	6,919,099	21,795,899	-
Unassigned	14,800,549	-	-
Total Fund Balances	26,277,371	129,361,497	26,539,112
Total Liabilities and Fund Balances	\$ 30,270,008	\$ 132,176,886	\$ 26,539,112

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

Non Major Governmental Funds	Total Governmental Funds
\$ 9,886,602	\$ 193,287,037
261,204	5,481,551
98,065	426,875
-	36,414
63,835	63,835
<u>\$ 10,309,706</u>	<u>\$ 199,295,712</u>

\$ 281,393	\$ 6,854,965
340,224	426,885
95,213	243,006
<u>716,830</u>	<u>7,524,856</u>

64,961	116,375
3,623,767	142,234,786
5,904,148	5,904,148
-	28,714,998
-	14,800,549
<u>9,592,876</u>	<u>191,770,856</u>

<u>\$ 10,309,706</u>	<u>\$ 199,295,712</u>
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FREMONT UNION HIGH SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 191,770,856
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 governmental funds.		
The cost of capital assets is:	\$ 427,739,605	
Accumulated depreciation is:	<u>(61,182,770)</u>	
Net Capital Assets		366,556,835
Expenditures relating to contributions made to pension plans are expensed when paid, but are not recognized on the accrual basis in the Governmental funds. However, in the government-wide financial statements, as required by GASB 68, they are deferred and expensed in the subsequent year.		
		7,555,491
Deferred charges on refunding related to the loss on refunding of debt which is classified as a deferred outflow of resources and expensed over the life of the debt on the government-wide financial statements, but was recorded as an expenditure in the governmental fund statements when the debt was issued.		
		2,753,582
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(4,110,350)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		502,966
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.		
		(24,675,521)
Long-term obligations at year-end consist of:		
Bonds payable	378,951,668	
Bonds premium	24,596,205	
Compensated absences (vacations)	1,421,790	
Other post-employment benefits	10,878,399	
Net pension liability	<u>90,975,957</u>	
Total Long-Term Obligations		<u>(506,824,019)</u>
Total Net Position - Governmental Activities		<u>\$ 33,529,840</u>

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

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FREMONT UNION HIGH SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 98,067,877	\$ -	\$ -
Federal sources	2,610,473	-	1,191,534
Other State sources	7,676,554	10,364	104,805
Other local sources	11,025,659	5,867,733	23,488,594
Total Revenues	119,380,563	5,878,097	24,784,933
EXPENDITURES			
Current			
Instruction	71,123,008	-	-
Instruction-related activities:			
Supervision of instruction	4,126,283	-	-
Instructional library, media and technology	2,186,626	-	-
School site administration	12,027,415	-	-
Pupil services:			
Home-to-school transportation	2,163,656	-	-
Food services	864	-	-
All other pupil services	10,417,105	-	-
Administration:			
Data processing	403,869	-	-
All other administration	6,014,049	-	-
Plant services	9,150,438	723,839	-
Facility acquisition and construction	385,399	25,384,712	-
Ancillary services	294,474	-	-
Community services	10,030	-	-
Other outgo	32,493	-	-
Debt service			
Principal	-	-	9,485,000
Interest and other	72,517	225,000	13,159,323
Total Expenditures	118,408,226	26,333,551	22,644,323
Excess (Deficiency) of			
Revenues Over Expenditures	972,337	(20,455,454)	2,140,610
Other Financing Sources (Uses)			
Transfers in	1,858,439	-	-
Other sources	-	100,000,000	5,822,832
Transfers out	(1,080,318)	(1,858,439)	-
Net Financing Sources (Uses)	778,121	98,141,561	5,822,832
NET CHANGE IN FUND BALANCES	1,750,458	77,686,107	7,963,442
Fund Balance - Beginning	24,526,913	51,675,390	18,575,670
Fund Balance - Ending	\$ 26,277,371	\$ 129,361,497	\$ 26,539,112

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,887,621	\$ 102,955,498
945,720	4,747,727
114,017	7,905,740
4,589,944	44,971,930
<u>10,537,302</u>	<u>160,580,895</u>
1,230,711	72,353,719
73,378	4,199,661
137,096	2,323,722
1,965,045	13,992,460
-	2,163,656
2,902,541	2,903,405
-	10,417,105
-	403,869
269,534	6,283,583
1,325,005	11,199,282
4,673,610	30,443,721
-	294,474
-	10,030
-	32,493
-	9,485,000
-	13,456,840
<u>12,576,920</u>	<u>179,963,020</u>
<u>(2,039,618)</u>	<u>(19,382,125)</u>
1,340,416	3,198,855
-	105,822,832
<u>(260,098)</u>	<u>(3,198,855)</u>
<u>1,080,318</u>	<u>105,822,832</u>
(959,300)	86,440,707
<u>10,552,176</u>	<u>105,330,149</u>
<u>\$ 9,592,876</u>	<u>\$ 191,770,856</u>

FREMONT UNION HIGH SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ 86,440,707**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlay 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 capital outlays exceeds depreciation in the period.

Capital outlays	28,196,250
Depreciation expense	(9,423,368)
Net Expense Adjustment	<u>18,772,882</u>

Loss on disposal of capital assets is reported as an expense in the statement of activities, but is not recorded on the governmental funds. (125,294)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used. (608,433)

The underfunded portion of the Annual Required Contribution (ARC) of the other postemployment benefits is not recorded in the governmental funds. In the statement of activities, the underfunded portion of the ARC is recognized as expenses. (1,803,460)

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. (376,776)

Proceeds and premium received from sale of general obligation bonds, is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities. (278,509,472)

Costs paid related to debt issuance are recorded in the governmental funds at the time of debt issuance. However, the cost of issuance is recorded as a deferred charges on the statement of net position. 2,753,582

Amortization of bond premiums reduce long-term obligations in the statement of net position and is recorded in the statement of activities as revenue, but does not affect the governmental funds. 6,990,271

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

FREMONT UNION HIGH SCHOOL DISTRICT

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

Payment of principal on long-term obligations 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.	173,638,352
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.	(1,485,065)
Interest on long-term obligations is recorded as an expenditure in the 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.	943,844
An internal service fund is used by the District's management to charge the costs of the self-insurance program to the individual funds. The net loss of the Internal Service fund is reported with governmental activities.	132,655
Change in Net Position of Governmental Activities	<u><u>\$ 6,763,793</u></u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 424,586
Due from other funds	10
Prepaid expenses	249,689
Total Current Assets	<u>674,285</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,226
Noncurrent Liabilities	
Claims liability	170,093
Total Liabilities	<u>171,319</u>
NET POSITION	
Restricted for insurance programs	<u>\$ 502,966</u>

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

FREMONT UNION HIGH 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 premium	\$ 2,160,220
OPERATING EXPENSES	
Professional and contract services	<u>2,027,555</u>
Change in Net Position	132,665
Total Net Position - Beginning	<u>370,301</u>
Total Net Position - Ending	<u><u>\$ 502,966</u></u>

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

FREMONT UNION HIGH 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	\$ 2,267,998
Cash payments for insurance claims	(2,014,186)
Net Cash Provided By Operating Activities	<u>253,812</u>
Cash and cash equivalents - Beginning	170,774
Cash and cash equivalents - Ending	<u><u>\$ 424,586</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 132,665
Changes in assets and liabilities:	
Receivables	10,444
Due from other fund	97,693
Prepaid expenses	56,625
Accrued liabilities	(43,256)
Deferred revenue	(359)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 253,812</u></u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Retiree Benefits Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Deposits and investments	\$ 6,867,422	\$ 2,336,554
Receivables	1,464	-
Prepaid expenses	17,642	-
Total Assets	<u>6,886,528</u>	<u>\$ 2,336,554</u>
 LIABILITIES		
Due to student groups	-	<u>\$ 2,336,554</u>
 NET POSITION		
Restricted	<u>\$ 6,886,528</u>	

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

FREMONT UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Retiree Benefits Trust
ADDITIONS	
District contributions	\$ 999,658
Interest	146,457
Total Additions	<u>1,146,115</u>
DEDUCTIONS	
Benefit expenses	<u>845,322</u>
Change in Net Position	300,793
Net Position - Beginning	6,585,735
Net Position - Ending	<u><u>\$ 6,886,528</u></u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Fremont Union High School District was organized in 1925 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 9-12 as mandated by the State and Federal agencies. The District operates five high schools, one alternative high school, one adult, and one independent study school.

A reporting entity is comprised of the primary government, component units, 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 Fremont Union High 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 non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for reported in another fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and acquisition of major governmental capital facilities and buildings.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except, for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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.

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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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 operates a workers' compensation, dental, vision, and property and liability programs that are accounted for in an internal service fund.

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds include the Retiree Benefits fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's trust fund accounts for contribution and payments related to retiree benefit activities and agency fund accounts for student body activities (ASB).

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. This is the same approach used in the preparation of the proprietary fund financial statements, but 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, and program revenues of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 net 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 result from special revenue funds and the restrictions on their net asset use.

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

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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 (expenditures) 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 obligations, 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures 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 and expenses in the proprietary 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. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. 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 and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds. Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and building improvement, 50 years; equipment, 5 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated within the governmental funds and governmental activities.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Compensated Absences

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

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 and proprietary 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, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. 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, debt premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is recorded 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.

FREMONT UNION HIGH 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 or expenditure 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 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 of 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 by 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 purpose.

Unassigned – all other spendable amounts.

FREMONT UNION HIGH 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.

Minimum Fund Balance Policy

In fiscal year 2014-2015, the governing board adopted a minimum fund balance policy for the General Fund in compliance with GASB 54 to establish fund balance policies in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 10 percent of General Fund expenditures and other financing uses. At June 30, 2015, \$14,800,549 of the Fund balance for the General Fund was reported as amounts unassigned and held for economic uncertainties.

Net Position

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

Operating Revenues and Expenses

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

Interfund Activity

Transfers between governmental and business-type 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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental column of the statement of activities.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

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. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 \$107,719,201. 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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. 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.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

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	\$ 193,287,037
Proprietary fund	424,586
Fiduciary funds	9,203,976
Total Deposits and Investments	<u>\$ 202,915,599</u>

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

Cash on hand and in banks	\$ 2,545,602
Investment	193,742,805
Investment in annuities	6,627,192
Total Deposits and Investments	<u>\$ 202,915,599</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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 fair value of 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 the fair value 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.

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The District's retiree benefit plan also has an annuity account with a third party for the reserve of the future retiree benefit payments.

The District monitors the interest rate risk inherent in its portfolio by measuring the average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Costs	Fair Value	Average Maturity in Days
County Pool	\$ 193,742,805	\$ 193,841,226	469
Annuities for Retiree Benefit Trust Fund	6,627,192	6,627,192	N/A
Total	<u>\$ 200,369,997</u>	<u>\$ 200,468,418</u>	

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 annuity with ING ReliaStar Group is a fixed investment product with ING that is principal protected and guarantees a 3 percent minimum rate of return. ReliaStar Life Insurance Company has a rating from Standard and Poor's of AA.

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 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. 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, approximately \$8,701,496 of the District's bank balances of \$9,579,031 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

FREMONT UNION HIGH 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
Federal Government					
Categorical aid	\$ 1,587,834	\$ -	\$ -	\$ 219,020	\$ 1,806,854
State Government					
Categorical aid	474,984	-	-	-	474,984
Lottery	1,012,149	-	-	-	1,012,149
Local Government					
Interest	-	152,317	22,781	11,042	186,140
Other Local Sources	1,328,864	641,418	-	31,142	2,001,424
Total	<u>\$ 4,403,831</u>	<u>\$ 793,735</u>	<u>\$ 22,781</u>	<u>\$ 261,204</u>	<u>\$ 5,481,551</u>

FREMONT UNION HIGH SCHOOL DISTRICT

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions/ Adjustments	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,958,025	\$ -	\$ -	\$ 1,958,025
Construction in progress	19,168,085	26,715,306	25,849,660	20,033,731
Total Capital Assets Not Being Depreciated	<u>21,126,110</u>	<u>26,715,306</u>	<u>25,849,660</u>	<u>21,991,756</u>
Capital Assets Being Depreciated:				
Buildings and improvements	373,812,599	25,849,660	-	399,662,259
Furniture and equipment	5,105,822	1,480,944	501,176	6,085,590
Total Capital Assets Being Depreciated	<u>378,918,421</u>	<u>27,330,604</u>	<u>501,176</u>	<u>405,747,849</u>
Total Capital Assets	<u>400,044,531</u>	<u>54,045,910</u>	<u>26,350,836</u>	<u>427,739,605</u>
Less Accumulated Depreciation:				
Buildings and improvements	49,839,574	8,911,381	-	58,750,955
Furniture and equipment	2,295,710	511,987	375,882	2,431,815
Total Accumulated Depreciation	<u>52,135,284</u>	<u>9,423,368</u>	<u>375,882</u>	<u>61,182,770</u>
Governmental Activities Capital Assets, Net	<u>\$ 347,909,247</u>	<u>\$ 44,622,542</u>	<u>\$ 25,974,954</u>	<u>\$ 366,556,835</u>

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

Governmental Activities	
Instruction	\$ 5,417,507
Supervision of instruction	314,451
Instructional library, media, and technology	173,989
School site administration	1,047,690
Home-to-school transportation	162,004
Food services	217,393
All other pupil services	728,259
Ancillary service	22,049
Community services	751
All other general administration	470,485
Data processing	30,240
Plant services	838,550
Total Depreciation Expenses Governmental Activities	<u>\$ 9,423,368</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivables and payable balances at June 30, 2015, between major and non-major governmental funds, and the internal service fund are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 86,651	\$ -	\$ 10	\$ 86,661
Non-Major Governmental funds	242,159	-	98,065	-	340,224
Total	<u>\$ 242,159</u>	<u>\$ 86,651</u>	<u>\$ 98,065</u>	<u>\$ 10</u>	<u>\$ 426,885</u>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer Out	Transfer In		Total
	General Fund	Non-Major Governmental Funds	
General fund	\$ -	\$ 1,080,318	\$ 1,080,318
Building fund	1,858,439	-	1,858,439
Non-Major Governmental funds	-	260,098	260,098
Total	<u>\$ 1,858,439</u>	<u>\$ 1,340,416</u>	<u>\$ 3,198,855</u>

The General fund transferred to the Cafeteria fund for support.	\$ 1,001,377
The General fund transferred to the Adult Education fund for committed adult education programs.	78,941
The Deferred Maintenance fund to the Adult Education fund to support maintenance.	260,098
The Building fund transferred to the General fund to support local programs.	1,858,439
Total	<u>\$ 3,198,855</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$24,675,521 includes the effect of deferring the recognition of loss from advance refunding. The \$2,753,582 balance of the deferred outflows of resources at June 30, 2015 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. The District's current year pension contribution of \$7,555,491 was made after the pension liability measurement date, June 30, 2014. Therefore, the recognition of current year payment is deferred and will be recognized as a pension expense in fiscal year 2015-16 (see Note 14 for more information on pension expense).

Deferred outflow of resources at June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Deferred charges on refunding	\$ -	\$ 2,868,315	\$ 114,733	\$ 2,753,582
Current year pension contribution	6,722,641	7,555,491	6,722,641	7,555,491
Total	<u>\$ 6,722,641</u>	<u>\$ 10,423,806</u>	<u>\$ 6,837,374</u>	<u>\$ 10,309,073</u>

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Fund
Vendor payables	\$ 1,637,129	\$ 2,496,131	\$ 215,569	\$ 4,348,829	\$ 1,226
Salaries and benefits	2,227,534	212,778	65,824	2,506,136	-
Total	<u>\$ 3,864,663</u>	<u>\$ 2,708,909</u>	<u>\$ 281,393</u>	<u>\$ 6,854,965</u>	<u>\$ 1,226</u>

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Other local	\$ 41,313	\$ 106,480	\$ 95,213	\$ 243,006

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At June 30, 2014, the District has placed 100% of outstanding \$7 million TRANS in trust for the sole purpose of satisfying the notes on July 1, 2015. At July 1, 2015, the District issued \$5 million of Tax and Revenue Anticipation Notes bearing interest at one percent. The notes were issued to supplement cash flow. An amount equal to fifty percent of principal amount of the Notes was deposited to County treasury in January, 2015 and remaining interest and principal were deposited in County treasury in May, 2015. By June 30, 2015, the District had placed 100 percent of principal and interest in County treasury for the sole purpose of satisfying the notes.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2014	Additions	Payments	Outstanding June 30, 2015
7/1/2013	1.00%	6/30/2014	\$ 7,000,000	\$ -	\$ 7,000,000	\$ -
7/1/2014	1.00%	6/30/2015	-	5,000,000	5,000,000	-
			<u>\$ 7,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 12,000,000</u>	<u>\$ -</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	\$ 294,989,955	\$ 257,600,065	\$ 173,638,352	\$ 378,951,668	\$ 12,070,000
Bond premium	9,192,004	22,394,472	6,990,271	24,596,205	1,473,681
Compensated absences	813,357	608,433	-	1,421,790	1,421,790
OPEB obligation	9,074,939	2,803,118	999,658	10,878,399	-
Pension liabilities	114,441,842	-	23,465,885	90,975,957	-
	<u>\$ 428,512,097</u>	<u>\$ 283,406,088</u>	<u>\$ 205,094,166</u>	<u>\$ 506,824,019</u>	<u>\$ 14,965,471</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The Compensated absences, the OPEB obligation and pension liabilities will be paid by the fund for which the employee worked.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2015
1/20/05	9/1/23	3-5%	\$ 143,400,000	\$ 100,995,000	\$ -	\$ 92,995,000	\$ 8,000,000
8/14/08	8/1/33	4-5%	80,000,000	76,500,000	-	59,650,000	16,850,000
3/10/11	8/1/44	2-12%	69,995,108	69,494,955	1,485,065	20,993,352	49,986,668
1/29/13	8/1/44	3-5%	48,000,000	48,000,000	-	-	48,000,000
4/8/15	8/1/44	3-5%	100,000,000	-	100,000,000	-	100,000,000
5/14/15	8/1/40	2-5%	156,115,000	-	156,115,000	-	156,115,000
				<u>\$ 294,989,955</u>	<u>\$ 257,600,065</u>	<u>\$ 173,638,352</u>	<u>\$ 378,951,668</u>

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 12,070,000	\$ 26,382,695	\$ 38,452,695
2017	9,505,000	25,439,465	34,944,465
2018	27,860,000	43,147,255	71,007,255
2019	10,435,000	24,932,624	35,367,624
2020	11,105,000	25,059,928	36,164,928
2021-2025	59,130,000	119,189,748	178,319,748
2026-2030	23,073,352	79,382,782	102,456,134
2031-2035	42,426,737	87,852,190	130,278,927
2036-2040	69,970,000	101,581,551	171,551,551
2041-2045	112,470,000	125,688,541	238,158,541
Total	<u>378,045,089</u>	<u>\$ 658,656,779</u>	<u>\$ 1,036,701,868</u>
Accreted interest	906,579		
	<u>\$ 378,951,668</u>		

Other Postemployment Benefit (OPEB) Obligation

The District's contributions made during the year were \$999,658. Interest on the net OPEB obligation to the annual required contribution was \$249,600, which resulted in an increase to the net OPEB obligation of \$1,803,460. As of June 30, 2015, the net OPEB obligation was \$10,878,399. See Note 15 for additional information regarding the OPEB obligation and the postemployment benefits plan.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$1,421,790.

NOTE 11 - FUND BALANCES

Fund balances with reservations and designations are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 1,126	\$ 16,126
Stores inventories	-	-	-	63,835	63,835
Prepaid expenditures	36,414	-	-	-	36,414
Total Nonspendable	<u>51,414</u>	<u>-</u>	<u>-</u>	<u>64,961</u>	<u>116,375</u>
Restricted					
Educational programs	4,506,309	-	-	44,673	4,550,982
Capital projects	-	107,565,598	-	3,579,094	111,144,692
Debt services	-	-	26,539,112	-	26,539,112
Total Restricted	<u>4,506,309</u>	<u>107,565,598</u>	<u>26,539,112</u>	<u>3,623,767</u>	<u>142,234,786</u>
Committed					
Maintenance program	-	-	-	4,763,896	4,763,896
Adult education program	-	-	-	1,140,252	1,140,252
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,904,148</u>	<u>5,904,148</u>
Assigned					
Program carryover	6,919,099	-	-	-	6,919,099
Capital projects	-	21,795,899	-	-	21,795,899
Total Assigned	<u>6,919,099</u>	<u>21,795,899</u>	<u>-</u>	<u>-</u>	<u>28,714,998</u>
Unassigned					
Reserve for economic uncertainties	11,879,773	-	-	-	11,879,773
Remaining unassigned	2,920,776	-	-	-	2,920,776
Total Unassigned	<u>14,800,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,800,549</u>
Total	<u>\$ 26,277,371</u>	<u>\$ 129,361,497</u>	<u>\$ 26,539,112</u>	<u>\$ 9,592,876</u>	<u>\$ 191,770,856</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 - LEASE REVENUES

The District has leased properties built in the 1950's where the total construction costs have been fully depreciated for a number of years. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Payment
2016	\$ 3,903,416
2017	1,771,096
2018	1,824,229
2019	1,878,956
2020	1,935,325
2021-2025	10,583,149
2026-2030	12,268,770
2031-2034	11,207,694
Total	<u>\$ 45,372,635</u>

NOTE 13 - RISK MANAGEMENT

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 participated in the Northern California Regional Liability Excess Fund (ReLiEF) for excess property and liability coverage. 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 Santa Clara County Schools Insurance Group for the workers' compensation coverage.

Claims Liabilities

The District records an estimated liability for Workers' Compensation claims filed prior to March 1, 1996. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and estimates for claims incurred, but not reported based on historical experience for some self insured programs, such as dental, vision and property and liability.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2015:

	Workers' Compensation	Dental	Vision	Property and Liability	Total
Liability Balance, July 1, 2013	\$ 69,000	\$ 73,717	\$ 8,748	\$ 25,027	\$ 176,492
Claims and changes in estimates	(4,605)	1,165,526	188,871	604,089	1,953,881
Claims payments	(21,395)	(1,174,165)	(188,331)	(579,116)	(1,963,007)
Liability Balance, June 30, 2014	43,000	65,078	9,288	50,000	167,366
Claims and changes in estimates	38,673	(190,672)	(544,818)	(1,305,899)	(2,002,716)
Claims payments	(14,117)	195,606	557,602	1,266,352	2,005,443
Liability Balance, June 30, 2015	<u>\$ 67,556</u>	<u>\$ 70,012</u>	<u>\$ 22,072</u>	<u>\$ 10,453</u>	<u>\$ 170,093</u>
Assets available to pay claims at June 30, 2015	<u>\$ 46,459</u>	<u>\$ 121,275</u>	<u>\$ 31,508</u>	<u>\$ 473,818</u>	<u>\$ 673,060</u>

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:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 67,631,744	\$ 4,907,917	\$ 16,654,188	\$ 5,838,803
CalPERS	23,344,213	2,647,574	8,021,333	2,074,824
Total	<u>\$ 90,975,957</u>	<u>\$ 7,555,491</u>	<u>\$ 24,675,521</u>	<u>\$ 7,913,627</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	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 \$4,907,917.

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	\$ 67,631,744
State's proportionate share of the net pension liability associated with the District	40,838,967
Total	<u>\$ 108,470,711</u>

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, 2015, the District's proportion was 0.1157 percent.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$3,525,722 and revenue of \$3,525,722 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	\$ 4,907,917	\$ -
Net differences between projected and actual earnings on plan investments	-	16,654,188
Total	<u>\$ 4,907,917</u>	<u>\$ 16,654,188</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	\$ 4,163,547
2017	4,163,547
2018	4,163,547
2019	4,163,547
Total	<u>\$ 16,654,188</u>

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 lognormally 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:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
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%

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:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 105,420,201
Current discount rate (7.60%)	\$ 67,631,744
1% increase	\$ 36,123,038

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] 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(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report(s), Schools Pool Actuarial Valuation, [and the Risk Pool Actuarial Valuation Report, Safety,] 2013. This (These) report(s) 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>.

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	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 are calculated 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 \$2,647,574.

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 totaling \$23,344,213. 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 0.2056 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,074,824. 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	\$ 2,647,574	\$ -
Net differences between projected and actual earnings on plan investments	-	8,021,333
Total	\$ 2,647,574	\$ 8,021,333

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	\$ 2,005,333
2017	2,005,333
2018	2,005,333
2019	2,005,334
Total	\$ 8,021,333

FREMONT UNION HIGH 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%

FREMONT UNION HIGH 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%)	\$ 40,951,079
Current discount rate (7.50%)	\$ 23,344,213
1% increase (8.50%)	\$ 8,631,902

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the APPLE Retirement Program as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,796,370 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 15 - POSTEMPLOYMENT HEALTH CARE PLAN AND OPEB OBLIGATION

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the Fremont Educators Association (FEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on a closed 30 year amortization period and the level dollar method for the implementation year, and an open 30 year amortization period and level percentage of payroll method for subsequent years. For fiscal year 2014-2015, the District contributed \$999,658 to the plan, of which \$845,321 was used for current premiums. Plan members receiving benefits contributed approximately 21 percent of the total premiums. The District contributes \$873, \$724 and \$2,715 monthly for FEA, CSEA and FMA, respectively. Any premiums over the District's contribution are paid by plan members.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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 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 liabilities (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	\$ 2,553,518
Interest on net OPEB obligation	249,600
Annual OPEB cost (expense)	<u>2,803,118</u>
Contributions made	<u>(999,658)</u>
Increase in net OPEB obligation	1,803,460
Net OPEB obligation, beginning of year	<u>9,074,939</u>
Net OPEB obligation, end of year	<u><u>\$ 10,878,399</u></u>

The trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past six years is as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2015	\$ 2,803,118	\$ 999,658	35.66%	\$ 10,878,399
2014	2,752,418	879,342	31.95%	9,074,939
2013	2,224,754	903,699	40.62%	7,201,863
2012	1,725,317	1,075,102	62.31%	5,880,808
2011	1,736,931	1,362,779	78.46%	5,230,593
2010	1,726,231	1,360,432	78.81%	4,856,441

Funded Status and Funding Progress

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
March 1, 2014	\$ 6,240,219	\$ 16,337,524	\$ 10,097,305	38%	\$ 79,271,182	14%

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.

In the March 1, 2014, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5.3 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost trend rate, including Dental and Vision programs, assumed to be 4 percent. The UAAL is being amortized using a level percentage of payroll method. The calculation uses an open 30 year amortization period for the initial UAAL and an open 30 year amortization period for any residual UAAL. The remaining amortization period at July 1, 2014, was 30 years. At June 30, 2015, the Trust held net position in the amount of \$6,886,528.

NOTE 16 - 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 involved in various litigations 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Operating Leases

The District has entered into several operating leases for copiers with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2016	\$ 99,092
2017	99,092
2018	99,092
Total	<u>\$ 297,276</u>

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Expected Date of Completion	Remaining Construction Commitment
Lynbrook High School renovation	08/2015	568,000
Homestead High School infrastructure project projection	09/2016	4,290,000
Total		<u>\$ 4,858,000</u>

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Silicon Valley Joint Powers Transportation Agency (SVJPA), the Santa Clara County Schools Insurance Group (SCCSIG), and the Northern California Regional Liability Excess Fund (North CalReLiEF). The relationship 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 one board member to the Governing Board of SVJPA, SCCSIG, and North CalReLiEF.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

During the year ended June 30, 2015, the District made payments as follows:

<u>Related Entities</u>	<u>Service Payments</u>	<u>Service provided</u>
SVJPA	\$ 1,803,055	Transportation for special education students
SCCSIG	1,048,368	Excess workers' compensation insurance
North CalReLIEF	552,259	Property and liability insurance

NOTE 18 - SUBSEQUENT EVENT

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the statement of net position dated through _____, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

NOTE 19 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 134,485,248
Restatement of pension liability and related activities	(107,719,201)
Net Position - Beginning as Restated	<u>\$ 26,766,047</u>

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Local control funding formula	\$ 96,177,334	\$ 98,092,545	\$ 98,067,877	\$ (24,668)
Federal sources	2,663,160	2,649,399	2,610,473	(38,926)
Other State sources	3,723,337	4,647,400	4,880,184	232,784
Other local sources	10,694,393	10,817,887	11,025,659	207,772
Total Revenues ¹	113,258,224	116,207,231	116,584,193	376,962
EXPENDITURES				
Current				
Certificated salaries	52,551,104	56,711,367	55,934,292	777,075
Classified salaries	18,077,168	19,048,113	18,807,301	240,812
Employee benefits	23,011,858	24,726,209	24,030,371	695,838
Books and supplies	7,627,133	6,572,835	4,496,726	2,076,109
Services and operating expenditures	12,676,879	12,202,053	12,245,432	(43,379)
Other outgo	(244,017)	(212,215)	(215,004)	2,789
Capital outlay	117,282	205,231	312,738	(107,507)
Total Expenditures ¹	113,817,407	119,253,593	115,611,856	3,641,737
Excess Expenditures Over Revenues	(559,183)	(3,046,362)	972,337	4,018,699
Other Financing Sources (Uses)				
Transfers in	350,000	1,946,513	1,858,439	(88,074)
Transfers out	(870,235)	(1,028,941)	(1,080,318)	(51,377)
Net Financing Sources (Uses)	(520,235)	917,572	778,121	(139,451)
NET CHANGE IN FUND BALANCES	(1,079,418)	(2,128,790)	1,750,458	3,879,248
Fund Balance - Beginning	24,526,913	24,526,913	24,526,913	-
Fund Balance - Ending	\$ 23,447,495	\$ 22,398,123	\$ 26,277,371	\$ 3,879,248

¹ On behalf payments of \$2,796,370 are excluded from this comparison schedule.

FREMONT UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OPEB FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
March 1, 2014	\$ 6,240,219	\$ 16,337,524	\$ 10,097,305	38%	\$ 79,271,182	14%
March 1, 2013	6,101,196	13,516,861	7,415,665	45%	69,909,007	11%
February 1, 2012	5,923,968	9,838,919	3,914,951	60%	66,793,472	6%

FREMONT UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S 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>0.1157%</u>
District's proportionate share of the pension liability	\$ 67,631,744
State's proportionate share of the net pension liability associated with the District	40,838,967
Total	<u>\$ 108,470,711</u>
District's covered - employee payroll	<u>\$ 51,955,637</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>130%</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	<u>0.2056%</u>
District's proportionate share of the pension liability	<u>\$ 23,344,213</u>
District's covered - employee payroll	<u>\$ 21,689,629</u>
District's proportionate share of the net pension liability 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.

FREMONT UNION HIGH SCHOOL DISTRICT

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

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 4,907,917
Contributions in relation to the contractually required contribution	4,907,917
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 50,227,021</u>
Contributions as a percentage of covered - employee payroll	<u>9.77%</u>
CalPERS	
Contractually required contribution	\$ 2,647,574
Contributions in relation to the contractually required contribution	2,647,574
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 23,139,080</u>
Contributions as a percentage of covered - employee payroll	<u>11.44%</u>

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

SUPPLEMENTARY INFORMATION

FREMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through		Federal Expenditures
	Federal CFDA Number	Entity Identifying Number	
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education Act:			
English as a Second Language (ESL)	84.002A	14508	\$ 132,458
Adult Secondary Education	84.002	13978	48,741
English Literacy and Civics Education	84.002A	14109	73,131
No Child Left Behind Act:			
Title III-Limited English Proficiency (LEP)	84.365	14346	87,216
Title II-Teacher Quality	84.367	14344	136,115
Advance Placement Test Fee Reimbursement Program	84.330B	14831	14,911
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement	84.027	13379	1,473,745
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	411,760
Carl D Perkins Act:			
Postsecondary and Adult II C	84.048	14893	103,894
Technology Secondary, Section 131	84.048	14894	158,660
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006	328,067
Total U.S. Department of Education			<u>2,968,698</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13524	382,031
National School Breakfast	10.553	13525	17,312
Especially Needy Breakfast	10.553	13526	188,152
Commodity Supplemental Food Program ²	10.555	¹	74,068
Total U.S. Department of Agriculture			<u>661,563</u>
Total Expenditures of Federal Awards			<u>\$ 3,630,261</u>

¹ Pass-Through Entity Identifying Number not available.

² Not recorded in the financial statements.

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

The Fremont Union High School District was established in 1925 under the laws of the State of California and consists of an area comprising approximately 42 square miles. The District operates five high schools, one community day school, one adult school and one independent study school. There were no boundary changes during the year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Barbara Nunes	President	2018
Hung Wei	Vice President	2018
Jeff Moe	Clerk	2016
Bill Wilson	Member	2018
Nancy Newton	Member	2016
Rani Mavram	Student Member	2015

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Polly Bove	Superintendent
Kate Jamentz	Academic Deputy Superintendent
Christine Mallery	Chief Business Officer, Associate Superintendent
Graham Clark	Associate Superintendent of Administrative Services

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Ninth Through Twelfth		
Regular classes ADA	10,372.37	10,335.83
Extended year special education	9.58	9.58
Special education, nonpublic, nonsectarian schools	22.92	23.00
Extended year special education, nonpublic, nonsectarian schools	3.64	3.64
Community day school	11.61	11.46
Total Average Daily Attendance (ADA)	<u>10,420.12</u>	<u>10,383.51</u>

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

Grade Level	1986-87	Reduced 1986-87	2014-2015	Number of Days		Status
	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	63,000	64,821	180	N/A	Complied
Grade 10	64,800	63,000	64,975	180	N/A	Complied
Grade 11	64,800	63,000	65,161	180	N/A	Complied
Grade 12	64,800	63,000	64,801	180	N/A	Complied

Fremont Union High School District is a basic aid school district. Therefore, the District does not receive longer instructional day and longer instructional year incentive funding.

See accompanying note to supplementary information.

FREMONT UNION HIGH 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.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2015, Unaudited Actuals	\$ 26,968,188
Increase in accounts payable	(690,817)
Balance, June 30, 2015, Audited Financial Statement	<u>\$ 26,277,371</u>

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ²				
Revenues	\$ 124,627,773	\$ 116,584,193	\$ 112,799,079	\$ 102,622,537
Other sources	391,266	1,858,439	422,323	867,643
Total Revenues and Other Sources	125,019,039	118,442,632	113,221,402	103,490,180
Expenditures	124,945,742	115,611,856	106,980,521	102,794,652
Other uses and transfers out	1,510,000	1,080,318	1,151,389	2,807,855
Total Expenditures and Other Uses	126,455,742	116,692,174	108,131,910	105,602,507
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,436,703)	\$ 1,750,458	\$ 5,089,492	\$ (2,112,327)
ENDING FUND BALANCE	\$ 24,840,668	\$ 26,277,371	\$ 24,526,913	\$ 19,437,421
AVAILABLE RESERVES	\$ 15,892,335	\$ 14,800,549	\$ 10,658,531	\$ 5,283,026
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	12.57%	12.68%	9.86%	5.00%
LONG-TERM DEBT	\$ 491,858,548	\$ 506,824,019	\$ 314,070,255	\$ 319,782,813
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	10,420	10,420	10,321	10,284

The General Fund balance has increased by \$6,839,950 over the past two years. The fiscal year 2015-2016 budget projects a decrease of \$1,436,703 (5 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surplus in the past three years but anticipates incurring an operating deficit during the 2015-2016 fiscal year. Total long-term obligations have increased by \$187,041,206 over the past two years due to recognition of \$91 million pension liabilities and issuance of \$100 million general obligation bonds.

Average daily attendance has increased by 136 over the past two years. Constant 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 including all amounts reserved for economic uncertainties contained with the General Fund.

³ On-behalf payments of \$2,796,370, \$2,574,934, and \$2,276,942, recorded in the general fund have been excluded from this schedule and from the calculation of available reserves for fiscal years ending June 30, 2015, 2014, and 2013, respectively.

⁴ Excludes adult ADA.

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 1,254,479	\$ 106,440	\$ 4,807,177
Receivables	241,490	10,763	3,236
Due from other funds	-	-	98,065
Stores inventories	-	63,835	-
Total Assets	\$ 1,495,969	\$ 181,038	\$ 4,908,478
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 106,259	\$ 28,994	\$ 144,582
Due to other funds	178,087	18,568	-
Unearned revenue	25,948	69,265	-
Total Liabilities	310,294	116,827	144,582
Fund Balances:			
Nonspendable	750	64,211	-
Restricted	44,673	-	-
Committed	1,140,252	-	4,763,896
Total Fund Balances	1,185,675	64,211	4,763,896
Total Liabilities and Fund Balances	\$ 1,495,969	\$ 181,038	\$ 4,908,478

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
\$ 3,574,872	\$ 143,634	\$ 9,886,602
4,222	1,493	261,204
-	-	98,065
-	-	63,835
<u>\$ 3,579,094</u>	<u>\$ 145,127</u>	<u>\$ 10,309,706</u>
\$ -	\$ 1,558	\$ 281,393
-	143,569	340,224
-	-	95,213
<u>-</u>	<u>145,127</u>	<u>716,830</u>
-	-	64,961
3,579,094	-	3,623,767
-	-	5,904,148
<u>3,579,094</u>	<u>-</u>	<u>9,592,876</u>
<u>\$ 3,579,094</u>	<u>\$ 145,127</u>	<u>\$ 10,309,706</u>

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local funding control formula	\$ 1,870,431	\$ -	\$ 3,017,190
Federal sources	358,224	587,496	-
Other State sources	63,380	50,637	-
Other local sources	1,283,713	1,362,715	28,315
Total Revenues	3,575,748	2,000,848	3,045,505
EXPENDITURES			
Current			
Instruction	1,230,711	-	-
Instruction-related activities:			
Supervision of instruction	73,378	-	-
Instructional library, media, and technology	137,096	-	-
School site administration	1,965,045	-	-
Pupil services:			
Food services	-	2,902,541	-
Administration:			
All other administration	177,641	69,855	-
Plant services	237,083	-	1,022,997
Facility acquisition and construction	-	-	1,521,242
Total Expenditures	3,820,954	2,972,396	2,544,239
Excess (Deficiency) of Revenues Over Expenditures	(245,206)	(971,548)	501,266
Other Financing Sources (Uses)			
Transfers in	339,039	1,001,377	-
Transfers out	-	-	(260,098)
Net Financing Sources (Uses)	339,039	1,001,377	(260,098)
NET CHANGE IN FUND BALANCES	93,833	29,829	241,168
Fund Balance - Beginning	1,091,842	34,382	4,522,728
Fund Balance - Ending	\$ 1,185,675	\$ 64,211	\$ 4,763,896

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 4,887,621
-	-	945,720
-	-	114,017
1,914,342	859	4,589,944
<u>1,914,342</u>	<u>859</u>	<u>10,537,302</u>
-	-	1,230,711
-	-	73,378
-	-	137,096
-	-	1,965,045
-	-	2,902,541
22,038	-	269,534
-	64,925	1,325,005
3,001,550	150,818	4,673,610
<u>3,023,588</u>	<u>215,743</u>	<u>12,576,920</u>
<u>(1,109,246)</u>	<u>(214,884)</u>	<u>(2,039,618)</u>
-	-	1,340,416
-	-	(260,098)
-	-	1,080,318
<u>(1,109,246)</u>	<u>(214,884)</u>	<u>(959,300)</u>
4,688,340	214,884	10,552,176
<u>\$ 3,579,094</u>	<u>\$ -</u>	<u>\$ 9,592,876</u>

FREMONT UNION HIGH 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.

	CFDA Number	Amount
Federal Revenues report in the Statement of Revenues, Expenditures and Change in Fund Balances		\$ 4,747,727
Federal interest subsidy from Build America Bonds Act	Not Applicable	(1,191,534)
Commodities	10.555	74,068
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,630,261</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 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 requirements, as required by *Education Code* Section 46201.

FREMONT UNION HIGH 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 Balances

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

INDEPENDENT AUDITOR'S REPORTS



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

Board of Trustees
Fremont Union High School District
Sunnyvale, 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 Fremont Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Fremont Union High School District's basic financial statements, and have issued our report thereon dated December 1, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont Union High School 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 Fremont Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont Union High School 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 Fremont Union High School 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.



Palo Alto, California
December 1, 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**

Board of Trustees
Fremont Union High School District
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited Fremont Union High 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 Fremont Union High School District's (the District) major Federal programs for the year ended June 30, 2015. Fremont Union High School 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 Fremont Union High School 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 Fremont Union High School 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 Fremont Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fremont Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Fremont Union High School 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 Fremont Union High School 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 Fremont Union High School 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.



Palo Alto, California
December 1, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Fremont Union High School District
Sunnyvale, California

Report on State Compliance

We have audited Fremont Union High School District's 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 Fremont Union High School 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 Fremont Union High School 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 Fremont Union High School Districts 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 Fremont Union High School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Fremont Union High 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 Fremont Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No
Independent Study	No
Continuation Education	No
Instructional Time	Yes
Ratios of Administrative Employees to Teachers	Yes
Early Retirement Incentive	No
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No
After School	No
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 does not offer Kindergarten Continuance, Independent Study, Continuation Education, Early Retirement Incentive, Juvenile Court Schools, K-3 Grade Span Adjustment, After School Education and Safety Programs, and Charter Schools.



Palo Alto, California
December 1, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FREMONT UNION HIGH 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 not considered to be material weaknesses?	<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 not considered to be material weaknesses?	<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 Circular A-133, Section .510(a) of OMB Circular A-133?	
Identification of major federal programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</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 all State programs.	<u>Unmodified</u>
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FREMONT UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

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

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

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

None reported.

FREMONT UNION HIGH 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.