

**FREMONT UNION  
HIGH SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

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# FREMONT UNION HIGH SCHOOL DISTRICT

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
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, 2018, 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont Union High School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents, 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 Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the Schedule of Expenditures of Federal Awards and other supplemental 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 November 29, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fremont Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont Union High School District's internal control over financial reporting and compliance.



Palo Alto, California  
November 29, 2018



# FREMONT UNION HIGH SCHOOL DISTRICT

Cupertino High School | Fremont High School | Homestead High School | Lynbrook High School | Monta Vista High School | Adult & Community Ed.

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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, 2018. 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 Funds* 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, 2018

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### 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).

Overall, the District experienced an increase in total enrollment for the third consecutive year. Fremont High School and Lynbrook High School saw the largest increases from the prior year (74). Homestead and Monta Vista grew by 24 and 44 respectively. Though Cupertino High School was the only school showing a decline in enrollment, this was due to the Board Approved inter-district transfer program to increase enrollment at Lynbrook high School. If not for this program, Cupertino would have increased in enrollment and Lynbrook would have declined. The other three schools continue to grow as projected. Our current projections for the district are for a gradual decline in enrollment over the next 5 years.

The District's residency verification program continued in 2017-2018 as the District remains committed to this effort. The program contains a full time investigator and two part time investigators along with a manager and clerical support positions.

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 a bargaining group AFT which represents our Adult and Community Education employees. 2017-18 marked the fourth consecutive year that each bargaining group participating in the Revenue Sharing Process saw positive returns.

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. Exemptions are offered to senior citizens and disabled.

On November 4, 2014 voters also approved a Proposition 39 bond known as Measure K. In June 2017, the District issued the second series of bonds under the 2014 Measure K bond authorization. The par amount of the Series 2017A and 2017B bonds was \$113,080,000 and \$31,170,000, respectively. A portion of Series 2017A bonds refunded 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 2011A. The refunding generated approximately \$6.1 million in present value savings. The Series 2017B bonds were issued as Green Bonds to fund Green Projects. The District has a long-standing commitment to sustainability and green design in its operations and facilities. The District was one of the first California school districts to issue green bonds.

In addition, On November 6, 2018, voters approved a new Proposition 39 bond known as Measure CC. Measure CC passed by a 63% to 37% margin. This measure approved the sale of an additional \$275,000,000 in General Obligation Bonds to further the Districts facilities and modernization plan.

# FREMONT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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As required by the Education Code of the State and the 2008 Measure B, 2014 Measure K, and 2018 Measure CC 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.

### 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.

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 ninth 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.

# FREMONT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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, 2018**

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**THE DISTRICT AS A WHOLE**

Net Position

The District’s net position was \$70.62 million for the fiscal year ended June 30, 2018. Of this amount, \$64.61 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**

<b>(Amounts in millions)</b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>CHANGE</u></b>
Current and other assets	\$ 307.41	\$ 234.09	\$ (73.32)
Capital assets	389.29	455.61	66.32
Total Assets	<u>696.70</u>	<u>689.70</u>	<u>(7.00)</u>
Deferred outflow or resources	<u>45.16</u>	<u>61.96</u>	<u>16.80</u>
Current liabilities	18.46	25.16	6.70
Long-term liabilities	656.81	649.69	(7.12)
Total Liabilities	<u>675.27</u>	<u>674.85</u>	<u>(0.42)</u>
Deferred inflow or resources	<u>3.64</u>	<u>6.19</u>	<u>2.55</u>
Net Position			
Net investment in capital assets	67.15	90.44	23.29
Restricted	54.72	44.79	(9.93)
Unrestricted: excluding pension activities	53.11	96.35	43.24
Unrestricted: related to pension activities	(112.03)	(160.96)	(48.93)
Total Net Position	<u>\$ 62.95</u>	<u>\$ 70.62</u>	<u>\$ 7.67</u>

The \$96.35 million and negative \$160.96 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 \$70.62 million. The total unrestricted deficit amount of \$64.61 million is the result of adaption of GASB statement No. 68, *Accounting and Financial Reporting for Pension*, by the District. Though listed as unrestricted for purposes of this report, the \$96.35 million is committed or assigned to various programs of the District.

# FREMONT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### 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)

<b><u>REVENUES</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>CHANGE</u></b>
Program revenues:			
Charges for services	\$ 0.29	\$ 0.13	\$ (0.16)
Operating grants and contributions	12.12	16.24	4.12
Federal and state sources	10.86	9.87	(0.99)
Property taxes	153.03	167.05	14.02
Other general revenue	14.15	14.00	(0.15)
Total Revenues	<u>190.45</u>	<u>207.29</u>	<u>16.84</u>
<b><u>EXPENSES</u></b>			
Instruction	97.97	107.44	9.47
Instruction-related services	27.62	28.14	0.52
Pupil services	19.94	22.01	2.07
General administration	9.56	9.28	(0.28)
Plant services	13.21	14.68	1.47
Ancillary services	0.45	0.40	(0.05)
Community services	0.0	0.01	0.01
Enterprise services	0.0	0.22	0.22
Interest on long-term debt	16.27	17.39	1.12
Other outgo	0.02	0.03	0.01
Total Expenditures	<u>185.04</u>	<u>199.60</u>	<u>14.56</u>
<b>NET CHANGE IN POSITION</b>	<u>\$ 5.41</u>	<u>\$ 7.69</u>	<u>\$ 2.28</u>

### Governmental Activities

As reported in the Statement of Activities on page 16 the cost of all governmental activities this year was \$199.60 million. However, the amount that the taxpayers ultimately financed for these activities through local taxes was \$167.05 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 (\$16.24 million). The District paid for the remaining "public benefit" portion of our governmental activities with \$24.00 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, 2018

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. 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 our 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)	<u>2017</u>	<u>2018</u>	<u>CHANGE</u>
Instruction	\$ 91.29	\$ 99.53	\$ 8.24
Instruction-related services:			
Supervision of instruction	4.95	6.09	1.14
Instructional library, media and technology	2.70	2.88	0.18
School administration	18.42	17.84	(0.58)
Pupil services:			
Home-to-school transportation	2.92	2.87	(0.05)
Food services	2.88	3.11	0.23
All other pupil services	11.81	13.45	1.64
General administration:			
Data processing	0.50	0.51	0.01
All other general administration	8.65	8.35	(0.30)
Plant services	13.18	14.67	1.49
Ancillary services	0.45	0.40	(0.05)
Community services	0.01	0.01	-
Enterprise services	-	0.22	0.22
Interest on long-term debt	16.27	17.39	1.12
Other outgo	(1.40)	(4.09)	(2.69)
TOTAL NET COST	<u>\$ 172.63</u>	<u>\$ 183.23</u>	<u>\$ 10.60</u>

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, 2018**

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### THE DISTRICT'S FUNDS

As the District completed this year, governmental funds had a reported combined fund balance of \$215.67 million, which is a decrease of \$78.52 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 decreased from \$31.68 million to \$29.02 million. This decrease was a combination of an ongoing salary increase of about 2.2% for all three units, spent down site carryover and one-time restricted revenues.
- b) The Building fund showed a decrease from \$201.43 million to \$133.04 million. This was primarily due to the activities on the construction funded by Measure K bonds.
- c) The Bond Interest and Redemption fund decreased from \$46.89 million to \$36.21 million. This was primarily due to a decrease 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.

Significant revenue and expenditure revisions to the 2018-2019 budgets were made. This is primarily due to property tax increases, salary increases and school site carryover from 2017-2018 at the time of budget adoption.

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 06, 2017. (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 68).

- Significant revenue revisions made to the 2017-2018 budget were due to STRS on-behalf rate increase.
- Significant expenditure revisions made to the 2017-2018 budget were due to the bargaining settlement reached during 2017-2018: 2.48% increased for FEA, 2.24% for CSEA, and 2.21% for FMA (Fremont Management Association).
- Decreases in books and supplies categories due to carryovers of departments and school sites to be budgeted in 2017-2018 fiscal year.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2018, the District had \$455.62 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 \$66.33 million from last year.

**TABLE 4**

<b>(Amounts in millions)</b>	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2018</b>	<b>CHANGE</b>
Land	\$ 1.96	\$ 1.96	\$ -
Construction in progress	45.60	79.84	34.24
Buildings and improvements	414.37	454.69	40.32
Furniture and equipment	7.73	9.15	1.42
Total Assets	469.66	545.64	75.98
Less Accumulated Depreciation	(80.37)	(90.02)	(9.65)
Totals	<u>\$ 389.29</u>	<u>\$ 455.62</u>	<u>\$ 66.33</u>

This year’s additions included school modernization of \$74.56 million, and equipment of \$1.42 million. Several capital projects are planned for completion in the 2018-2019 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 \$649.70 million in long-term debt outstanding versus \$656.82 million last year, a decrease of 1.08%.

**TABLE 5**

<b>(Amounts in millions)</b>	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2018</b>	<b>CHANGE</b>
General obligation bonds and premiums	\$ 500.27	\$ 469.00	\$ (31.27)
Compensated absences	1.48	1.52	0.04
Sub-total	501.75	470.52	(31.23)
Net pension liabilities	139.26	160.96	21.70
Net postemployment benefit liabilities	15.81	18.22	2.41
Totals	<u>\$ 656.82</u>	<u>\$ 649.70</u>	<u>\$ (7.12)</u>

The District’s general obligation bond rating is Aaa (based on Moody’s Investor Services) and AAA (based on Standard and 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 \$469.00 million is below this limit. Other obligations include compensated absences payable. More detailed information is presented in Note 10 of the financial statements.

# FREMONT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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The District has an estimated liability of \$18.22 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 \$7.23 million at June 30, 2018. 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. During fiscal year 2016-2017, the District adopted GASB 74, and as the result, restated the liability for OPEB at June 30, 2016 from \$12.89 to \$13.54. More detailed information is presented in Note 15 of the financial statements

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 Note 14 to the accompanying financial statements).

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

### The District's 2018-2019 Budget

District Administration is projecting that its financial position will improve for the 2018-2019 budget. The State enacted the Local Control Funding Formula (LCFF) to replace revenue limits and most categorical programs, commencing in 2018-2019. 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.

Based upon our most recent demographic report, District enrollment is expected to increase by a total of 20 students in the next 3 years. Long term projections show a gradual decrease in enrollment from 2021-2025. However, the continued escalating costs of housing and development in our District, long term projections are difficult to assess.

## 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, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 229,465,454
Receivables	4,223,712
Prepaid expenses	381,415
Stores inventories	18,142
Capital assets not depreciated	81,797,094
Capital assets, net of accumulated depreciation	373,818,948
Total Assets	<u>689,704,765</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	13,687,900
Deferred outflows of resources related to pensions	48,108,221
Deferred outflows of resources related to OPEB	164,976
Total Deferred Outflows of Resources	<u>61,961,097</u>
<b>LIABILITIES</b>	
Accounts payable	15,421,042
Interest payable	7,690,637
Unearned revenue	1,802,580
Claims liability	244,992
Long-term obligations:	
Current portion of long-term obligations other than pensions	24,278,376
Noncurrent portion of long-term obligations other than pensions	446,243,898
Aggregate net pension liability	160,959,349
Net other postemployment benefit (OPEB) liability	18,215,455
Total Liabilities	<u>674,856,329</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	6,187,105
Total Deferred Inflows of Resources	<u>6,187,105</u>
<b>NET POSITION</b>	
Net investment in capital assets	90,447,026
Restricted for:	
Debt service	28,522,608
Capital projects	9,298,385
Educational programs	5,892,972
Scholarship	106,983
Self insurance	949,027
Food programs	18,517
Unrestricted	(64,613,090)
Total Net Position	<u>\$ 70,622,428</u>

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, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 107,439,815	\$ 6,521	\$ 7,899,888	\$ (99,533,406)
Instruction-related activities:				
Supervision of instruction	6,601,760	556	506,565	(6,094,639)
Instructional library, media, and technology	2,917,394	-	34,934	(2,882,460)
School site administration	18,633,708	1,110	797,199	(17,835,399)
Pupil services:				
Home-to-school transportation	2,868,205	-	715	(2,867,490)
Food services	3,819,606	-	712,145	(3,107,461)
All other pupil services	15,317,454	-	1,869,699	(13,447,755)
Administration:				
Data processing	512,913	-	-	(512,913)
All other administration	8,763,505	85	413,202	(8,350,218)
Plant services	14,683,628	-	11,298	(14,672,330)
Ancillary services	401,784	-	-	(401,784)
Community services	12,222	-	-	(12,222)
Enterprise services	223,183	-	-	(223,183)
Interest on long-term obligations	17,387,097	-	-	(17,387,097)
Other outgo	15,854	119,771	3,990,521	4,094,438
<b>Total Governmental Activities</b>	<b>\$ 199,598,128</b>	<b>\$ 128,043</b>	<b>\$ 16,236,166</b>	<b>(183,233,919)</b>
<b>General revenues:</b>				
				127,248,388
				34,460,679
				5,331,397
				9,866,534
				1,019,252
				12,984,291
			<b>Subtotal, General Revenues</b>	<b>190,910,541</b>
			<b>Change in Net Position</b>	<b>7,676,622</b>
			Net Position - Beginning	62,945,806
			Net Position - Ending	<b>\$ 70,622,428</b>

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

**FREMONT UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 32,020,220	\$ 143,881,952	\$ 36,112,325
Receivables	2,533,990	1,063,793	100,920
Due from other funds	190,974	743,473	-
Prepaid expenditures	240,979	-	-
Stores inventories	-	-	-
Total Assets	\$ 34,986,163	\$ 145,689,218	\$ 36,213,245
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,827,974	\$ 12,486,487	\$ -
Due to other funds	1,636,364	-	-
Unearned revenue	1,503,984	160,680	-
Total Liabilities	5,968,322	12,647,167	-
<b>Fund Balances:</b>			
Nonspendable	255,982	-	-
Restricted	5,833,324	90,144,091	36,213,245
Committed	11,038,183	-	-
Assigned	6,659,806	42,897,960	-
Unassigned	5,230,546	-	-
Total Fund Balances	29,017,841	133,042,051	36,213,245
Total Liabilities and Fund Balances	\$ 34,986,163	\$ 145,689,218	\$ 36,213,245

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 16,470,324	\$ 228,484,821
521,027	4,219,730
819,794	1,754,241
4,129	245,108
18,142	18,142
<u>\$ 17,833,416</u>	<u>\$ 234,722,042</u>

\$ 106,581	\$ 15,421,042
190,974	1,827,338
137,916	1,802,580
<u>435,471</u>	<u>19,050,960</u>

22,646	278,628
9,460,887	141,651,547
7,914,412	18,952,595
-	49,557,766
-	5,230,546
<u>17,397,945</u>	<u>215,671,082</u>
<u>\$ 17,833,416</u>	<u>\$ 234,722,042</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, 2018**

**Total Fund Balance - Governmental Funds** **\$ 215,671,082**

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:	545,637,156	
Accumulated depreciation is:	<u>(90,021,114)</u>	
Net Capital Assets		455,616,042

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. 13,687,900

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. (7,690,637)

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. 949,027

Deferred outflows of resources related to OPEB represent a  
consumption of net position in a future period and is not reported in  
the District's funds. 164,976

Deferred outflows (inflows) of resources related to pension represent a  
consumption (credit) of net position in a future period and is not reported in  
the District's funds. 41,921,116

Certain liabilities are not due and payable in the current period and therefore  
are not reported in the governmental funds:

Bonds payable	(435,114,467)
Bonds premium	(33,886,540)
Compensated absences (vacations)	(1,521,267)
Net OPEB Liability	(18,215,455)
Net pension Liability	<u>(160,959,349)</u>

**Total Net Position - Governmental Activities** **\$ 70,622,428**

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

**FREMONT UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>		
Local control funding formula	\$ 129,640,260	\$ -
Federal sources	2,857,797	-
Other State sources	12,009,256	13,045
Other local sources	8,656,828	6,932,122
Total Revenues	<u>153,164,141</u>	<u>6,945,167</u>
<b>EXPENDITURES</b>		
Current		
Instruction	94,154,026	-
Instruction-related activities:		
Supervision of instruction	5,811,268	-
Instructional library, media and technology	2,579,171	-
School site administration	14,052,965	-
Pupil services:		
Home-to-school transportation	2,552,624	-
Food services	-	-
All other pupil services	13,632,112	-
Administration:		
Data processing	456,478	-
All other administration	7,611,320	-
Plant services	11,903,341	307,717
Ancillary services	357,576	-
Community services	10,877	-
Other outgo	15,854	-
Capital Outlays	635,586	75,880,070
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	<u>153,773,198</u>	<u>76,187,787</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(609,057)</u>	<u>(69,242,620)</u>
Other Financing Sources (Uses)		
Transfers in	-	853,819
Transfers out	<u>(2,050,315)</u>	<u>-</u>
Net Financing Sources (Uses)	<u>(2,050,315)</u>	<u>853,819</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,659,372)</u>	<u>(68,388,801)</u>
Fund Balance - Beginning	31,677,213	201,430,852
Fund Balance - Ending	<u>\$ 29,017,841</u>	<u>\$ 133,042,051</u>

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

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 767,602	\$ 130,407,862
966,069	1,027,757	4,851,623
113,921	2,957,088	15,093,310
34,635,228	5,524,207	55,748,385
<u>35,715,218</u>	<u>10,276,654</u>	<u>206,101,180</u>
-	1,464,447	95,618,473
-	64,116	5,875,384
-	17,229	2,596,400
-	2,530,521	16,583,486
-	-	2,552,624
-	3,399,344	3,399,344
-	-	13,632,112
-	-	456,478
-	290,915	7,902,235
-	353,128	12,564,186
-	-	357,576
-	-	10,877
-	-	15,854
-	75,529	76,591,185
29,920,000	-	29,920,000
16,469,768	-	16,469,768
46,389,768	8,195,229	284,545,982
<u>(10,674,550)</u>	<u>2,081,425</u>	<u>(78,444,802)</u>
-	1,123,399	1,977,218
-	-	(2,050,315)
-	1,123,399	(73,097)
<u>(10,674,550)</u>	<u>3,204,824</u>	<u>(78,517,899)</u>
46,887,795	14,193,121	294,188,981
<u>\$ 36,213,245</u>	<u>\$ 17,397,945</u>	<u>\$ 215,671,082</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, 2018

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (78,517,899)**

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	77,493,444
Depreciation expense	(9,700,337)
Net Expense Adjustment	<u>67,793,107</u>

Gain or loss on disposal of capital assets is recorded on a cash basis of accounting in the governmental funds. However, in the statement of activities, the related gain or loss is accounted on a full accrual basis of accounting.

(1,468,388)

Deferred refunding finance charge is an expense on the statement of activities but is not recorded on the governmental funds.

(605,923)

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 more than the amounts used.

(43,239)

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.

(7,005,270)

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, 2018**

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In the governmental funds, OPEB costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.	(2,243,285)
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.	1,687,110
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 relected as additional interest expense in the statement of activities.	(342,432)
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.	29,920,000
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.	(1,656,084)
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 income of the Internal Service fund is reported with governmental activities.	158,925
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 7,676,622</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, 2018**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 980,633
Receivables	3,982
Due from other funds	73,097
Prepaid expenses	136,307
Total Current Assets	<u>1,194,019</u>
<b>LIABILITIES</b>	
Noncurrent Liabilities	
Claims liability	<u>244,992</u>
Total Liabilities	<u>244,992</u>
<b>NET POSITION</b>	
Restricted for insurance programs	<u><u>\$ 949,027</u></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, 2018

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
In-District premium	\$ 2,397,528
<b>OPERATING EXPENSES</b>	
Professional and contract services	2,320,498
Operating Income	<u>77,030</u>
<b>NONOPERATING REVENUES</b>	
Interest income	8,798
Transfers in	<u>73,097</u>
<b>Change in Net Position</b>	158,925
Total Net Position - Beginning	<u>790,102</u>
Total Net Position - Ending	<u><u>\$ 949,027</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, 2018**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 2,479,783
Cash payments for insurance claims	(2,213,765)
Net Cash Provided By Operating Activities	<u>266,018</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	6,470
Cash received from assessments made to other funds	73,097
Net Cash Provided by Investing Activities	<u>79,567</u>
Net increase in cash and cash equivalents	345,585
Cash and cash equivalents - Beginning	635,048
Cash and cash equivalents - Ending	<u><u>\$ 980,633</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 77,030
Changes in assets and liabilities:	
Due from other fund	82,255
Prepaid expenses	110,469
Accrued liabilities	(3,736)
Net Cash Provided By Operating Activities	<u><u>\$ 266,018</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, 2018**

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	<b>Retiree Benefits Trust</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Deposits and investments	\$ 7,329,562	\$ 2,538,829
Receivables	512	-
Total Assets	<u>7,330,074</u>	<u>2,538,829</u>
<b>LIABILITIES</b>		
Accounts payable	100,000	-
Due to student groups	-	2,538,829
Total Liabilities	<u>100,000</u>	<u>\$ 2,538,829</u>
<b>NET POSITION</b>		
Restricted for postemployment benefits	<u>\$ 7,230,074</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, 2018**

---

	<b>Retiree Benefits Trust</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 1,007,957
Investment income	107,212
Total Additions	<u>1,115,169</u>
<b>DEDUCTIONS</b>	
Benefit payments	<u>1,189,521</u>
Total Deductions	
<b>Change in Net Position</b>	(74,352)
Net Position - Beginning	<u>7,304,426</u>
Net Position - Ending	<u><u>\$ 7,230,074</u></u>

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

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

**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 revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

**Permanent Funds** The Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement No. 34 to account for permanent foundations that benefit a district.

**Special Reserve Foundation Fund** The Special Reserve Foundation Fund is used to account resources received from gifts or bequests pursuant to Education Code Section 41031 under which both earnings and principal may be used for purposes that support the LEA's own programs and where there is a formal trust agreement with the donor.

**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.

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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.

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.

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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**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.

### **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, 2018, 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 (Expenses)**

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.

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.

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **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.

### **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, 2018

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### 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 deferred charges on refunding of debt and for pension related items.

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

### 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.

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Fund Balances – Governmental Funds

As of June 30, 2018, 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.

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**Unassigned** – all other spendable amounts.

### **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 2017-2018, 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 committed and unassigned amounts equal to no less than 10 percent of General Fund expenditures and other financing uses. At June 30, 2018, \$11,038,183 and \$5,230,546 of the Fund balance for the General Fund was reported as amounts committed and unassigned, respectively, and in total \$16,268,729 was 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 non-operating 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, 2018

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### 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.

### 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 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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.

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

The District has early implemented the provisions of this Statement as of June 30, 2017.

### New Accounting Pronouncements Effective This Fiscal Year

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

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

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 228,484,821
Proprietary fund	980,633
Fiduciary funds	9,868,391
Total Deposits and Investments	<u><u>\$ 239,333,845</u></u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 1,992,844
Cash in revolving	15,378
Investments	237,325,623
Total Deposits and Investments	<u><u>\$ 239,333,845</u></u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Policies and Practices

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The 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. The pool is not registered with Security Exchange Commission.

### General Authorizations

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

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

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District 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	Fair Value	Average Maturity in Days
County Pool	\$ 229,431,733	479
Annuities for Retiree Benefit Trust Fund	7,302,944	Not applicable
Certificates of Deposits	590,946	414
Total	\$ 237,325,623	

### 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 principal protected and guarantees a 3 percent minimum rate of return. ReliaStar life Insurance Company has a rating from Standard and Poor's 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. As of June 30, 2018, approximately \$1,293,534 of the District's bank balances of \$2,602,943 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.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in mutual fund of \$7,302,944 the District has a custodial credit risk exposure of \$7,302,944 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.



**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

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

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

All assets have been valued using a market approach, with quoted market prices. The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 229,431,733	\$ -	\$ -	\$ -	\$ 229,431,733
Mutual Fund	7,302,944	7,302,944	-	-	-
Certificates of Deposits	590,946	590,946	-	-	-
<b>Total</b>	<b>\$ 237,325,623</b>	<b>\$ 7,893,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 229,431,733</b>

All assets have been valued using a market approach, with quoted market prices.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2018, 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	Proprietary Fund	Total
Federal Government						
Categorical aid	\$ 928,417	\$ -	\$ -	\$ 427,017	\$ -	\$ 1,355,434
State Government						
Categorical aid	416,217	-	-	7,207	-	423,424
Lottery	460,000	-	-	-	-	460,000
Local Government						
Interest	164,272	648,127	100,920	67,130	3,319	983,768
Other Local Sources						
Other	565,084	415,666	-	19,673	663	1,001,086
<b>Total</b>	<b>\$ 2,533,990</b>	<b>\$ 1,063,793</b>	<b>\$ 100,920</b>	<b>\$ 521,027</b>	<b>\$ 3,982</b>	<b>\$ 4,223,712</b>

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions/ Adjustments	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,958,025	\$ -	\$ -	\$ 1,958,025
Construction in progress	45,601,892	76,070,342	41,833,165	79,839,069
Total Capital Assets Not Being Depreciated	<u>47,559,917</u>	<u>76,070,342</u>	<u>41,833,165</u>	<u>81,797,094</u>
Capital Assets Being Depreciated:				
Buildings and improvements	414,366,503	41,833,165	1,510,655	454,689,013
Furniture and equipment	7,727,947	1,423,102	-	9,151,049
Total Capital Assets Being Depreciated	<u>422,094,450</u>	<u>43,256,267</u>	<u>1,510,655</u>	<u>463,840,062</u>
Total Capital Assets	<u>469,654,367</u>	<u>119,326,609</u>	<u>43,343,820</u>	<u>545,637,156</u>
Less Accumulated Depreciation:				
Buildings and improvements	76,657,833	8,951,779	42,267	85,567,345
Furniture and equipment	3,705,211	748,558	-	4,453,769
Total Accumulated Depreciation	<u>80,363,044</u>	<u>9,700,337</u>	<u>42,267</u>	<u>90,021,114</u>
Governmental Activities Capital Assets, Net	<u>\$ 389,291,323</u>	<u>\$ 109,626,272</u>	<u>\$ 43,301,553</u>	<u>\$ 455,616,042</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 5,741,480
Supervision of instruction	352,792
Instructional library, media, and technology	155,903
School site administration	995,767
Home-to-school transportation	153,274
Food services	204,116
All other pupil services	818,550
Ancillary service	21,471
Community services	653
All other general administration	474,495
Data processing	27,410
Plant services	754,426
Total Depreciation Expenses Governmental Activities	<u>\$ 9,700,337</u>

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 - 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, 2018, 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	Proprietary Fund	
General Fund	\$ -	\$ 743,473	\$ 819,794	\$ 73,097	\$ 1,636,364
Non-Major Governmental Funds	190,974	-	-	-	190,974
<b>Total</b>	<b>\$ 190,974</b>	<b>\$ 743,473</b>	<b>\$ 819,794</b>	<b>\$ 73,097</b>	<b>\$ 1,827,338</b>

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, 2018, consisted of the following:

Transfer Out	Transfer In			Total
	Building Fund	Non-Major Governmental Funds	Proprietary Fund	
General Fund	\$ 853,819	\$ 1,123,399	\$ 73,097	\$ 2,050,315

The General fund transferred to the Cafeteria fund for support.	\$ 1,123,399
The General fund transferred to the Building fund for the District-wide Technology Fund.	853,819
The General fund transferred to the Self Insurance fund to support cash flow.	73,097
<b>Total</b>	<b>\$ 2,050,315</b>

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 7 - DEFERRED CHARGE ON REFUNDING**

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$90,447,026 includes the effect of deferring the recognition of loss from advance refunding. The \$13,687,900 balance of the deferred outflows of resources at June 30, 2018, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2018, consisted of the following:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Deferred charges on refunding	\$ 14,293,823	\$ -	\$ 605,923	\$ 13,687,900

**NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,794,148	\$ 12,486,374	\$ 50,285	\$ 14,330,807
State categorical	1,021,502	113	56,296	1,077,911
Other	12,324	-	-	12,324
Total	\$ 2,827,974	\$ 12,486,487	\$ 106,581	\$ 15,421,042

**NOTE 9 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 28,567	\$ -	\$ -	\$ 28,567
State categorical aid	1,405,969	-	-	1,405,969
Other local	69,448	160,680	137,916	368,044
Total	\$ 1,503,984	\$ 160,680	\$ 137,916	\$ 1,802,580

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 10 - LONG-TERM OBLIGATIONS OTHER THAN OTHER POSTEMPLOYMENT BENEFITS (OPEB) AND PENSION LIABILITIES**

**Summary**

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 464,692,035	\$ 342,432	\$ 29,920,000	\$ 435,114,467	\$ 21,070,000
Bond premium	35,573,650	-	1,687,110	33,886,540	1,687,109
Compensated absences	1,478,028	43,239	-	1,521,267	1,521,267
Total	<u>501,743,713</u>	<u>385,671</u>	<u>31,607,110</u>	<u>470,522,274</u>	<u>24,278,376</u>

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

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued/ Accretion	Redeemed/ Refunded	Bonds Outstanding June 30, 2018
8/14/08	8/1/33	4-5%	\$ 80,000,000	\$ 2,725,000	\$ -	\$ 1,035,000	\$ 1,690,000
3/10/11	8/1/40	6.875-12%	16,090,108	3,212,035	342,432	-	3,554,467
3/10/11	2/1/26	5.45-6.08%	25,000,000	19,890,000	-	1,265,000	18,625,000
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	-	18,000,000	82,000,000
5/14/15	8/1/40	2-5%	156,115,000	146,615,000	-	8,595,000	138,020,000
6/20/17	8/1/46	2-5%	68,830,000	68,830,000	-	-	68,830,000
6/20/17	8/1/30	3-4%	31,170,000	31,170,000	-	-	31,170,000
6/20/17	8/1/44	2-5%	44,250,000	44,250,000	-	1,025,000	43,225,000
				<u>\$ 464,692,035</u>	<u>\$ 342,432</u>	<u>\$ 29,920,000</u>	<u>\$ 435,114,467</u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Debt Service Requirements to Maturity

The bonds mature through 2047 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 21,070,000	\$ 18,026,293	\$ 39,096,293
2020	21,975,000	17,152,572	39,127,572
2021	15,025,000	16,350,897	31,375,897
2022	16,245,000	15,590,124	31,835,124
2023	18,080,000	14,738,404	32,818,404
2024-2028	34,986,441	68,860,117	103,846,558
2029-2033	40,198,648	64,798,888	104,997,536
2034-2038	73,130,000	47,340,694	120,470,694
2039-2043	115,275,000	28,695,858	143,970,858
2044-2047	77,295,000	5,069,350	82,364,350
Total	433,280,089	\$ 296,623,197	\$ 729,903,286
Accreted interest	1,834,378		
	<u>\$ 435,114,467</u>		

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$1,521,267.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**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
<b>Nonspendable</b>					
Revolving cash	\$ 15,003	\$ -	\$ -	\$ 375	\$ 15,378
Stores inventories	-	-	-	18,142	18,142
Prepaid expenditures	240,979	-	-	4,129	245,108
Total Nonspendable	<u>255,982</u>	<u>-</u>	<u>-</u>	<u>22,646</u>	<u>278,628</u>
<b>Restricted</b>					
Educational programs	5,833,324	-	-	162,502	5,995,826
Capital projects	-	90,144,091	-	9,298,385	99,442,476
Debt services	-	-	36,213,245	-	36,213,245
Total Restricted	<u>5,833,324</u>	<u>90,144,091</u>	<u>36,213,245</u>	<u>9,460,887</u>	<u>141,651,547</u>
<b>Committed</b>					
Educational programs	11,038,183	-	-	-	11,038,183
Maintenance program	-	-	-	6,624,448	6,624,448
Adult education program	-	-	-	1,289,964	1,289,964
Total Committed	<u>11,038,183</u>	<u>-</u>	<u>-</u>	<u>7,914,412</u>	<u>18,952,595</u>
<b>Assigned</b>					
Program carryover	6,659,806	-	-	-	6,659,806
Capital projects	-	42,897,960	-	-	42,897,960
Total Assigned	<u>6,659,806</u>	<u>42,897,960</u>	<u>-</u>	<u>-</u>	<u>49,557,766</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	4,730,650	-	-	-	4,730,650
Remaining unassigned	499,896	-	-	-	499,896
Total Unassigned	<u>5,230,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,230,546</u>
Total	<u>\$ 29,017,841</u>	<u>\$ 133,042,051</u>	<u>\$ 36,213,245</u>	<u>\$ 17,397,945</u>	<u>\$ 215,671,082</u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### 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 revenues expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenues
2019	\$ 4,332,099
2020	3,930,867
2021	4,048,793
2022	4,170,257
2023	4,295,365
2024-2028	23,488,816
2029-2033	27,229,975
2034-2038	16,093,649
2039-2042	14,701,775
Total	<u>\$ 102,291,596</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, 2018, 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 2018, 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, 2018**

**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, 2016 to June 30, 2018:

	Workers' Compensation	Dental	Vision	Property and Liability	Total
Liability Balance, July 1, 2016	\$ 33,295	\$ 62,279	\$ 8,705	\$ 28,216	\$ 132,495
Claims and changes in estimates	(43,453)	(1,244,761)	(185,337)	(702,628)	(2,176,179)
Claims payments	100,464	1,264,152	185,469	742,327	2,292,412
Liability Balance, June 30, 2017	\$ 90,306	\$ 81,670	\$ 8,837	\$ 67,915	\$ 248,728
Claims and changes in estimates	(15,581)	(1,409,289)	(630,632)	(225,225)	(2,280,727)
Claims payments	-	1,423,115	685,830	195,046	2,303,991
Liability Balance, June 30, 2018	<u>\$ 74,725</u>	<u>\$ 95,496</u>	<u>\$ 64,035</u>	<u>\$ 37,736</u>	<u>\$ 271,992</u>
Assets available to pay claims at June 30, 2018	<u>\$ 74,725</u>	<u>\$ 936,657</u>	<u>\$ 64,035</u>	<u>\$ 118,602</u>	<u>\$ 1,194,019</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).

For the fiscal year ended June 30, 2018 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 108,971,315	\$ 31,566,323	\$ 5,575,010	\$ 11,262,206
CalPERS	51,988,034	16,541,898	612,095	9,897,800
Total	<u>\$ 160,959,349</u>	<u>\$ 48,108,221</u>	<u>\$ 6,187,105</u>	<u>\$ 21,160,006</u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: [www.calstrs.com/member-publications](http://www.calstrs.com/member-publications).

#### Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.32800%	9.32800%

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### 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, 2018, are presented above and the District's total contributions were \$9,573,016.

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

At June 30, 2018, 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	\$	108,971,315
State's proportionate share of the net pension liability associated with the District		64,466,509
Total	\$	<u><u>173,437,824</u></u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.11783 percent and 0.11900 percent, resulting in a net increase in the proportionate share of 0.00118 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$11,262,206. In addition, the District recognized pension expense and revenue of \$6,489,173 for support provided by the State. At June 30, 2018, 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	\$ 9,573,016	\$ -
Net change in proportionate share of net pension liability	1,402,112	772,263
Difference between projected and actual earnings	-	2,902,210
Change in assumption	20,188,209	
Differences between expected and actual experience in the measurement of the total pension liability	402,986	1,900,537
Total	<u><u>\$ 31,566,323</u></u>	<u><u>\$ 5,575,010</u></u>

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ (2,413,086)
2020	1,825,931
2021	263,326
2022	(2,578,381)
Total	<u>\$ (2,902,210)</u>

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

Year Ended June 30,	Deferred Inflows of Resources
2019	\$ 6,817,064
2020	6,817,064
2021	6,120,920
2022	(144,387)
2023	(228,612)
Thereafter	(61,542)
Total	<u>\$ 19,320,507</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%
	<u>100%</u>	

### Discount Rate

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

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 160,004,486
Current discount rate (7.10%)	\$ 108,971,315
1% increase (8.10%)	\$ 67,554,438

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

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation reports, Schools Pool Actuarial Valuation. These reports 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.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

**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, 2018, are presented above and the total District contributions were \$4,581,720.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$51,988,034. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was percent 0.21777 and 0.21772 percent, resulting in a net increase in the proportionate share of 0.00005 percent.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$9,897,800. At June 30, 2018, 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	\$ 4,581,720	\$ -
Net change in proportionate share of net pension liability	705,560	-
Difference between projected and actual earnings on pension plan investments	1,798,430	-
Differences between expected and actual experience in the measurement of the total pension liability	1,862,518	-
Changes of assumptions	7,593,670	612,095
Total	<u>\$ 16,541,898</u>	<u>\$ 612,095</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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ (48,731)
2020	2,074,998
2021	756,983
2022	(984,820)
Total	<u>\$ 1,798,430</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 3,554,582
2020	3,366,721
2021	2,628,350
Total	<u>\$ 9,549,653</u>



# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### 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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%
	100%	

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 64,171,451
Current discount rate (7.15%)	\$ 51,988,034
1% increase (8.15%)	\$ 25,389,286

### 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 \$5,242,506, \$4,308,598, and \$3,702,305, for fiscal years ending June 30, 2018, 2017 and 2016 respectively (9.328 percent of 2017-2018, 8.828 percent of 2016-2017, and 7.126 percent of 2015-2016 annual payrolls). 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.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

For the fiscal year ended June 30, 2018, the district reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

Plan Name	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
The Plan	\$ 18,215,455	\$ 164,976	\$ -	\$ 3,259,216

The details of the District plan is as follows:

**Plan Administration**

The Employee Benefit Trust administers the Postemployment Benefits Plan (the "Plan") - a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions for the Fremont Union High School District. Management of the Plan is vested in the District's Governing Board, which consists of five locally elected plan members.

*Benefits provided.* The Plan provides medical, dental and vision insurance benefits to certain retirees and their dependents or spouses. The groups of employees who are eligible for the Plan are as follows:

	Management ***	Certificated	Classified ***
Benefits provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of benefits	5 years *	5 years	5 years
Required service	10 years	10 years	10 years
Minimum age	55	55 **	55
Dependent coverage	Yes	Yes	Spouse
District coverage	100%	100%	100%
Annual District Cap	Same as active	Same as active	Same as active

\*Certain management employees are entitled to 7 years of District-paid benefits.

\*\*30 years of service before age 55.

\*\*\*Management and classified employees who don't qualify for or exhaust these benefits are entitled to minimum benefits pursuant to Government Code Section 22892.

Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the *plan*. The District's Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

*Plan membership.* At June 30, 2018, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	\$ 118
Active plan members	979
Total Plan Members	<u>\$ 1,097</u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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*Contributions.* 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 projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, FEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$1,000,905 to the plan, of which all was used for current premiums. Plan members receiving benefits contributed the same amount as the total premiums. The District contributes \$1,084, \$811 and \$1,391 monthly for each FEA, CSEA, and FMA member, respectively. Any premiums over the District's contribution are paid by plan members.

### Investments

*Investment policy.* The Plan's policy in regard to the allocation of invested assets is established and may be amended by the District's Governing Board by a majority vote of its members. It is the policy of the District's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

*Rate of return.* For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for below asset class included in the target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	100%	5.50%

*Concentrations.* The District invests 100% of its plan assets in the mutual fund.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Changes in the Net OPEB Liability**

The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2017	\$ 23,006,778	\$ 7,199,584	\$ 15,807,194
Changes recognized for the year:			
Service cost	2,491,194	-	2,491,194
Interest on total OPEB liability	1,021,333	-	1,021,333
Employer contributions	-	1,000,905	(1,000,905)
Actual investment income	-	103,361	(103,361)
Benefit payments	(1,000,905)	(1,000,905)	-
Net change	2,511,622	103,361	2,408,261
Balance at June 30, 2018	<u>\$ 25,518,400</u>	<u>\$ 7,302,945</u>	<u>\$ 18,215,455</u>

The components of the net OPEB liability of the District as June 30, 2018, were as follows:

Total OPEB liability	\$ 25,518,400
Plan fiduciary net position	7,302,945
District's net OPEB liability	<u>\$ 18,215,455</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>29%</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,259,216. At June 30, 2018, the District reported deferred outflows of resources due to net differences between projected and actual earnings on plan investments in the amount of \$164,976 which will be recognized in OPEB expenses as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 41,245
2020	41,245
2021	41,245
2022	41,241
	<u>\$ 164,976</u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### Actuarial Methods and Assumptions

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	4.30 percent
Healthcare cost trend rates	4.00 percent

Mortality rates were based on the 2009 CalSTRS Mortality Table and 2014 CalPERS Active Mortality Table for certificated and classified employees, respectively.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of applicable actuarial standards of practice, Fremont Union High School District's actual historical experience, and actuarial experience and training.

*Discount rate.* The discount rate used to measure the total OPEB liability was 4.3 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.3 percent) or 1-percentage-point higher (5.3 percent) than the current discount rate:

	1% Decrease 3.3%	Discount Rate 4.3%	1% Increase 5.3%
Net OPEB liability	\$ 21,139,034	\$ 18,215,455	\$ 15,702,972

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3 percent) or 1-percentage-point higher (5 percent) than the current healthcare cost trend rates:

	1% Decrease 3.0%	Healthcare Cost Trend Rates 4.0%	1% Increase 5.0%
Net OPEB liability	\$ 10,276,487	\$ 18,215,455	\$ 28,166,799

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018.

**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, 2018.

**Construction Commitments**

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Expected Date of Completion	Remaining Construction Commitment
CHS New Science and Standard Classroom Building	08/09/19	\$ 23,572
FHS GSS and Classroom Building	12/24/18	4,018,177
FHS Main Building Modernization	02/28/20	2,319,005
HHS Building S - DSA Closeout/Site and Infrastructure	12/31/18	180,650
HHS GSS Building/Remove Building D	09/03/20	8,590,623
HHS Innovation Hub/ New Classroom Building	02/15/19	29,992
HHS Remodel A Building Administration Space to Classroom	07/27/22	8,865,314
HHS Temporary Housing	04/30/19	2,968
HHS Utility Infrastructure Phase III	07/27/22	2,925,850
LHS Auditorium Lobby Remodel	10/31/21	3,788,577
LHS GSS Building, Parking and Relocate PV Total	10/25/21	13,250,467
LHS New Cafeteria, Main Quad, Gym Lobby Total	12/26/19	19,403,177
MVHS Building A and C HVAC Total	11/30/19	2,174,110
MVHS Guidance Center Remodel Total	10/31/18	40,687
MVHS Gym Mod, Amphitheater/ Dance/ Path of Travel Total	11/30/18	110,631
DS New Ed Options and ACE Campus (3)	10/25/19	14,257,487
Total		<u>\$ 79,981,287</u>

**FREMONT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**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. During the year ended June 30, 2018, the District made payments as follows:

<u>Related Entities</u>	<u>Service Payments</u>	<u>Service Provided</u>
SVJPA	\$ 2,304,116	Transportation for special education students
SCCSIG	1,205,862	Excess workers' compensation insurance
North CalReLiEF	651,523	Property and liability insurance



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***REQUIRED SUPPLEMENTARY INFORMATION***

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**FREMONT UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local control funding formula	\$ 128,066,675	\$ 129,433,342	\$ 129,640,260	\$ 206,918
Federal sources	2,778,152	2,867,529	2,857,797	(9,732)
Other State sources	8,072,193	11,163,062	12,009,256	846,194
Other local sources	7,934,492	8,542,056	8,656,828	114,772
<b>Total Revenues</b>	<b>146,851,512</b>	<b>152,005,989</b>	<b>153,164,141</b>	<b>1,158,152</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	64,799,070	67,715,352	68,049,619	(334,267)
Classified salaries	23,143,368	24,413,238	24,469,275	(56,037)
Employee benefits	34,083,891	37,306,754	37,604,752	(297,998)
Books and supplies	7,371,541	6,879,119	5,731,375	1,147,744
Services and operating expenditures	15,081,652	18,372,720	17,421,208	951,512
Other outgo	(225,033)	(218,088)	(249,036)	30,948
Capital outlay	175,765	1,215,294	746,005	469,289
<b>Total Expenditures</b>	<b>144,430,253</b>	<b>155,684,389</b>	<b>153,773,198</b>	<b>1,911,191</b>
<b>Excess Expenditures Over Revenues</b>	<b>2,421,259</b>	<b>(3,678,400)</b>	<b>(609,057)</b>	<b>3,069,343</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,302,638	1,896,017	-	(1,896,017)
Transfers out	(4,578,752)	(1,207,383)	(2,050,315)	(842,932)
<b>Net Financing Sources (Uses)</b>	<b>(3,276,114)</b>	<b>688,634</b>	<b>(2,050,315)</b>	<b>(2,738,949)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(854,855)</b>	<b>(2,989,766)</b>	<b>(2,659,372)</b>	<b>330,394</b>
<b>Fund Balance - Beginning</b>	<b>31,677,213</b>	<b>31,677,213</b>	<b>31,677,213</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 30,822,358</b>	<b>\$ 28,687,447</b>	<b>\$ 29,017,841</b>	<b>\$ 330,394</b>

See accompanying note to required supplementary information.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 2,491,194	\$ 2,424,520
Interest on total OPEB liability	1,021,333	917,585
Benefit payments	(1,000,905)	(991,200)
Net changes in total OPEB liability	2,511,622	2,350,905
Total OPEB Liability - beginning	23,006,778	20,655,873
Total OPEB Liability - ending (a)	25,518,400	23,006,778
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	1,000,905	962,409
Net investment income	103,361	116,073
Benefit payments	(1,000,905)	(991,200)
Net change in plan fiduciary net position	103,361	87,282
Plan fiduciary net position - beginning	7,199,584	7,112,302
Plan fiduciary net position - ending (b)	7,302,945	7,199,584
District's net OPEB liability - ending (a) - (b)	\$ 18,215,455	\$ 15,807,194
 Plan fiduciary net position as a percentage of the total OPEB liability	28.62%	31.29%
Covered - payroll	\$ 92,035,344	\$ 91,832,884
District's net OPEB liability as a percentage of covered - payroll	19.79%	17.21%

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

See accompanying note to required supplementary information.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF OPEB INVESTMENT RETURNS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	4.30%	4.30%

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

See accompanying note to required supplementary information.

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**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018**

MEASUREMENT DATE, JUNE 30,	2017	2016	2015
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.11783%	0.11900%	0.11867%
District's proportionate share of the pension liability	\$ 108,971,315	\$ 96,257,466	\$ 79,891,779
State's proportionate share of the net pension liability associated with the District	64,466,509	54,797,658	42,253,944
Total	<u>\$ 173,437,824</u>	<u>\$ 151,055,124</u>	<u>\$ 122,145,723</u>
District's covered payroll	<u>\$ 63,679,597</u>	<u>\$ 60,292,804</u>	<u>\$ 50,227,021</u>
liability as a percentage of its covered payroll	<u>171%</u>	<u>160%</u>	<u>159%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>	<u>74%</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	0.21777%	0.21772%	0.21077%
District's proportionate share of the pension liability	\$ 51,988,034	\$ 42,999,244	\$ 31,068,349
District's covered payroll	<u>\$ 27,758,189</u>	<u>\$ 26,128,463</u>	<u>\$ 23,139,080</u>
liability as a percentage of its covered payroll	<u>187%</u>	<u>165%</u>	<u>134%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

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2014

0.11573%

\$ 67,631,744

40,838,967

\$ 108,470,711

\$ 51,955,637

130%

77%

0.20563%

\$ 23,344,213

\$ 21,689,629

108%

83%

**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FISCAL YEAR END, JUNE 30,</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 9,573,016	\$ 7,918,756	\$ 6,430,351
Contributions in relation to the contractually required contribution	<u>9,573,016</u>	<u>7,918,756</u>	<u>6,430,351</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 66,364,690</u>	<u>\$ 63,679,597</u>	<u>\$ 60,292,804</u>
Contributions as a percentage of covered payroll	<u>14.42%</u>	<u>12.44%</u>	<u>10.60%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 4,581,720	\$ 3,855,057	\$ 3,095,439
Contributions in relation to the contractually required contribution	<u>4,581,720</u>	<u>3,855,057</u>	<u>3,095,439</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 29,500,480</u>	<u>\$ 27,758,189</u>	<u>\$ 26,128,463</u>
Contributions as a percentage of covered payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>

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

See accompanying note to required supplementary information.



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2015

\$ 4,907,917

4,907,917

\$ -

\$ 50,227,021

9.77%

\$ 2,647,574

2,647,574

\$ -

\$ 23,139,080

11.44%

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

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

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

#### **Schedule of OPEB Investment Returns**

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

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

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

*Changes in Assumptions* – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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

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

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***SUPPLEMENTARY INFORMATION***

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**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education Act:			
Adult Basic Education and ESL	84.002A	14508	\$ 223,284
Adult Secondary Education	84.002	13978	46,186
English Literacy and Civics Education	84.002A	14109	57,048
Total Adult Education			<u>326,518</u>
Title II, Part A, Teacher Quality	84.367	14341	114,209
Title III-Limited English Proficiency (LEP)	84.365	14346	121,957
Advance Placement Test Fee Reimbursement Program	84.330B	14831	3,723
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement: Part B, Sec 611	84.027	13379	1,508,188
Alternative Dispute Resolution: Part B, Sec 611	84.027A	13007	1,127
Mental Health ADA Allocation Plan, Part B, Sec 611	84.027A	14468	407,412
Total Special Education Cluster			<u>1,916,727</u>
Carl D Perkins Act:			
Technology Secondary, Section 131	84.048	14894	130,462
Total Carl Perkins Grant			<u>130,462</u>
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006	446,228
Total U.S. Department of Education			<u>3,059,824</u>

See accompanying note to supplementary information.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13523	428,756
National School Breakfast	10.553	13525	44,971
Especially Needy Breakfast	10.553	13526	177,534
Summer Food Service Program Operations	10.559	13004	31,479
Commodity Supplemental Food Program <sup>2</sup>	10.555	<sup>1</sup>	123,310
Total Child Nutrition Cluster			<u>806,050</u>
National School Lunch Program Equipment Assistance Grants	10.579	14906	18,500
Total U.S. Department of Agriculture			<u>824,550</u>
<b>U.S. DEPARTMENT OF HEALTH CARE SERVICES</b>			
Passed through California Department of Health Care Services:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	124,490
Total Expenditures of Federal Awards			<u><u>\$ 4,008,864</u></u>

<sup>1</sup> Pass-Through Entity Identifying Number not available

<sup>2</sup> Not recorded in the financial statements

See accompanying note to supplementary information.

# FREMONT UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### 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>
Bill Wilson	President	2018
Barbara Nunes	Vice President	2018
Hung Wei	Clerk	2018
Jeff Moe	Member	2020
Roy Rocklin	Member	2020
Samantha Millar	Student Member	2018

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Polly Bove	Superintendent
Christine Mallery	Chief Business Officer, Associate Superintendent
Graham Clark	Associate Superintendent of Administrative Services
Trudy Gross	Assistant Superintendent, Teaching and Learning
Tom Avvakumovits	Assistant Superintendent, Teaching and Learning

See accompanying note to supplementary information.

# FREMONT UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

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	Final Report	
	Second Period Report	Annual Report
Ninth Through Twelfth		
Regular classes ADA	10,679.21	10,649.07
Extended year special education	5.54	5.54
Special education, nonpublic, nonsectarian schools	33.27	32.72
Extended year special education, nonpublic, nonsectarian schools	4.90	4.90
Community day school	8.97	9.03
Total Average Daily Attendance (ADA)	<u>10,731.89</u>	<u>10,701.26</u>

See accompanying note to supplementary information.

# FREMONT UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

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Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	64,816	180	N/A	Complied
Grade 10	64,800	64,816	180	N/A	Complied
Grade 11	64,800	65,306	180	N/A	Complied
Grade 12	64,800	64,812	180	N/A	Complied

Fremont Union High School District is a basic aid school district and not subject to the instruction time requirements.



**FREMONT UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF UNAUDITED ANNUAL FINANCIAL AND BUDGET  
REPREPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Unaudited Actual Financial Report which require reconciliation to the audited financial statement at June 30, 2018.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget)			
	2019 <sup>1</sup>	2018	2017	2016
<b>GENERAL FUND</b>				
Revenues	\$ 156,047,870	\$ 153,164,141	\$ 145,037,303	\$ 142,697,270
Other sources	3,058,064	-	-	-
Total Revenues and Other Sources	<u>159,105,934</u>	<u>153,164,141</u>	<u>145,037,303</u>	<u>142,697,270</u>
Expenditures	159,016,737	153,773,198	145,996,929	129,240,158
Other uses and transfers out	1,207,383	2,050,315	4,952,721	2,144,923
Total Expenditures and Other Uses	<u>160,224,120</u>	<u>155,823,513</u>	<u>150,949,650</u>	<u>131,385,081</u>
<b>INCREASE (DECREASE)</b>				
<b>IN FUND BALANCE</b>	<u>\$ (1,118,186)</u>	<u>\$ (2,659,372)</u>	<u>\$ (5,912,347)</u>	<u>\$ 11,312,189</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 27,899,655</u>	<u>\$ 29,017,841</u>	<u>\$ 31,677,213</u>	<u>\$ 37,589,560</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 4,112,360</u>	<u>\$ 5,230,546</u>	<u>\$ 4,672,725</u>	<u>\$ 4,982,472</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<u>2.57%</u>	<u>3.36%</u>	<u>3.10%</u>	<u>3.79%</u>
<b>LONG-TERM DEBT</b>	<u>\$ 601,140,326</u>	<u>\$ 649,697,078</u>	<u>\$ 656,807,617</u>	<u>\$ 523,948,872</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>10,704</u>	<u>10,732</u>	<u>10,491</u>	<u>10,368</u>

The General Fund balance has decreased by \$8,571,719 over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$1,118,186 (4 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 deficit in all of the past three years and continues to anticipate an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by \$125,748,206 over the past two years mainly due to issuance of \$145 million general obligation bonds.

Average daily attendance has increased by 364 over the past two years. A decrease of 28 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund of the General Fund, and does not include the \$11,038,183 and \$10,733,927 in committed fund balance for additional reserve for economic uncertainly for 2017-2018 and 2016-2017, respectively.

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**FREMONT UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 1,232,086	\$ 33,151	\$ 5,832,237
Receivables	349,355	111,070	24,609
Due from other funds	-	52,192	767,602
Prepaid expenses	4,129	-	-
Stores inventories	-	18,142	-
<b>Total Assets</b>	<b>\$ 1,585,570</b>	<b>\$ 214,555</b>	<b>\$ 6,624,448</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 44,944	\$ 58,162	\$ -
Due to other funds	190,974	-	-
Unearned revenue	40	137,876	-
<b>Total Liabilities</b>	<b>235,958</b>	<b>196,038</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	4,129	18,517	-
Restricted	55,519	-	-
Committed	1,289,964	-	6,624,448
<b>Total Fund Balances</b>	<b>1,349,612</b>	<b>18,517</b>	<b>6,624,448</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,585,570</b>	<b>\$ 214,555</b>	<b>\$ 6,624,448</b>

See accompanying note to supplementary information.

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<b>Special Reserve Foundation Fund</b>	<b>Capital Facilities Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 106,500	\$ 9,266,350	\$ 16,470,324
483	35,510	521,027
-	-	819,794
-	-	4,129
-	-	18,142
<u>\$ 106,983</u>	<u>\$ 9,301,860</u>	<u>\$ 17,833,416</u>

\$ -	\$ 3,475	\$ 106,581
-	-	190,974
-	-	137,916
<u>-</u>	<u>3,475</u>	<u>435,471</u>
-	-	22,646
106,983	9,298,385	9,460,887
-	-	7,914,412
<u>106,983</u>	<u>9,298,385</u>	<u>17,397,945</u>
<u>\$ 106,983</u>	<u>\$ 9,301,860</u>	<u>\$ 17,833,416</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, 2018**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Local control funding formula	\$ -	\$ -	\$ 767,602
Federal sources	326,518	701,239	-
Other State sources	2,909,767	47,321	-
Other local sources	1,117,939	1,596,497	188,663
<b>Total Revenues</b>	<b>4,354,224</b>	<b>2,345,057</b>	<b>956,265</b>
<b>EXPENDITURES</b>			
Current			
Instruction	1,454,447	-	-
Instruction-related activities:			
Supervision of instruction	64,116	-	-
Instructional library, media, and technology	17,229	-	-
School site administration	2,530,521	-	-
Pupil services:			
Food services	-	3,399,344	-
Administration:			
All other administration	190,974	73,916	-
Plant services	295,494	-	57,634
Capital outlay	-	-	75,529
<b>Total Expenditures</b>	<b>4,552,781</b>	<b>3,473,260</b>	<b>133,163</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(198,557)</b>	<b>(1,128,203)</b>	<b>823,102</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,123,399	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>1,123,399</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(198,557)</b>	<b>(4,804)</b>	<b>823,102</b>
<b>Fund Balance - Beginning</b>	<b>1,548,169</b>	<b>23,321</b>	<b>5,801,346</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,349,612</b>	<b>\$ 18,517</b>	<b>\$ 6,624,448</b>

See accompanying note to supplementary information.

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<b>Special Reserve Foundation Fund</b>	<b>Capital Facilities Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 767,602
-	-	1,027,757
-	-	2,957,088
1,659	2,619,449	5,524,207
<u>1,659</u>	<u>2,619,449</u>	<u>10,276,654</u>
10,000	-	1,464,447
-	-	64,116
-	-	17,229
-	-	2,530,521
-	-	3,399,344
-	26,025	290,915
-	-	353,128
-	-	75,529
<u>10,000</u>	<u>26,025</u>	<u>8,195,229</u>
<u>(8,341)</u>	<u>2,593,424</u>	<u>2,081,425</u>
-	-	1,123,399
-	-	1,123,399
(8,341)	2,593,424	3,204,824
115,324	6,704,961	14,193,121
<u>\$ 106,983</u>	<u>\$ 9,298,385</u>	<u>\$ 17,397,945</u>

# FREMONT UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

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

	CFDA Number	Amount
Federal Revenues report in the Statement of Revenues, Expenditures and Changes in Fund Balances	N/A	\$ 4,851,623
Federal interest subsidy from Build America Bonds Act	N/A	(966,069)
Commodities	10.555	123,310
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,008,864</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 1986-1987 requirements, as required by *Education Code* Section 46201.



# **FREMONT UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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### **Reconciliation of Unaudited 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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
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, 2018, 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 November 29, 2018.

**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  
November 29, 2018



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

Governing Board  
Fremont Union High School District  
Sunnyvale, California

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

We have audited Fremont Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont Union High School District's major Federal programs for the year ended June 30, 2018. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California  
November 29, 2018



## 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 (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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

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

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

Our responsibility is to express an opinion on compliance of each of the 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 *2017-2018 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Fremont Union High School District's compliance with those requirements.

### ***Unmodified Opinion***

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, 2018.

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:

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



The District does not offer a Kindergarten Continuance Program during the current year; therefore, we did not perform any related procedures.

The District does not offer an Independent Study Program during the current year; therefore, we did not perform any related procedures.

The District does not have any Continuation Education program; therefore, we did not perform any procedures related to Continuation Education.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have a public school that has a K-3 Grade Span; therefore, we did not perform any related procedures.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer an After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District does not offer a Course Based Independent Study program; therefore, we did not perform any related procedures.

The District does not have any dependent Charter Schools; therefore, we did not perform any related procedures.



Palo Alto, California  
November 29, 2018

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

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**FREMONT UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR’S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**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 Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A	Special Education Cluster

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

**STATE AWARDS**

Type of auditor's report issued on compliance for all State programs.	<u>Unmodified</u>
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**FREMONT UNION HIGH SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**FREMONT UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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