



Annual Financial Statements
June 30, 2019

Fremont Union High School District

This page left blank intentionally.

FREMONT UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds - Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Proprietary Fund - Statement of Net Position	24
Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Position	25
Proprietary Fund - Statement of Cash Flows	26
Fiduciary Funds - Statement of Net Position	27
Fiduciary Funds - Statement of Changes in Net Position	28
Notes to Financial Statements	29

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	68
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	69
Schedule of OPEB Investment Returns	70
Schedule of the District's Proportionate Share of the Net Pension Liability	71
Schedule of District Pension Contributions	73
Note to Required Supplementary Information	75

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	77
Local Education Agency Organization Structure	78
Schedule of Average Daily Attendance	79
Schedule of Instructional Time	80
Reconciliation of Unaudited Annual Financial and Budget Report with Audited Financial Statements	81
Schedule of Financial Trends and Analysis	82
Combining Balance Sheet	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85
Note to Supplementary Information	87

FREMONT UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	90
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	92
Report on State Compliance	94

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	98
Financial Statement Findings	99
Federal Awards Findings and Questioned Costs	100
State Awards Findings and Questioned Costs	101
Summary Schedule of Prior Audit Findings	102
Management Letter	103

FINANCIAL SECTION

This page left blank intentionally.



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

The accompanying unaudited other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Palo Alto, California
November 22, 2019



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, 2019

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

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, 2019

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 a decrease in total enrollment for the first time in many years. Fremont High School and Lynbrook High School saw the largest increases from the prior year (92 and 71 respectively). Homestead remained flat, while Monta Vista and Cupertino declined (-89 and -35 respectively). Though Cupertino High School declined in enrollment, this was due to the Board Approved intra-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. Our current projections for the district continue to show a decline in enrollment over the next 5 years, with large declines occurring by 2023.

The District's residency verification program continued in 2018-2019 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. 2018-2019 marked the fifth 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 May 2019, the District issued the third and final series of bonds under the 2014 Measure K bond authorization. The par amount of the Series 2019A bonds was \$53,085,000, the Series 2019B bonds (Green Bonds) was \$30,000,000 and the Series 2019C (Federally Taxable) bonds was \$11,915,000 for a total issuance of \$95,000,000. 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. In May 2019, the District issued the first series of bonds under the 2018 Measure CC bond authorization. The par amount of the Series 2019A bonds was \$47,195,000 and the Series 2019C (Federally Taxable) bonds was \$7,805,000 for a total issuance of \$55,000,000.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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". At their February 5, 2019 meeting, the Board added oversight of the Measure CC bond program to the duties of the "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, 2019

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, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position and Changes in Fund Net Position*. We exclude these activities 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, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$87.87 million for the fiscal year ended June 30, 2019. Of this amount, \$69.74 million deficit was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use the net position for day-to-day operations. The analysis below focuses on net position (Table 1) and the change in net position (Table 2) of the District's governmental activities.

TABLE 1

(Amounts in millions)	2018	2019	CHANGE
Current and other assets	\$ 234.09	\$ 355.11	\$ 121.02
Capital assets	455.61	514.29	58.68
Total Assets	689.70	869.40	179.70
Deferred outflow or resources	61.96	69.98	8.02
Current liabilities	25.16	27.09	1.93
Long-term liabilities	649.69	817.74	168.05
Total Liabilities	674.85	844.83	169.98
Deferred inflow or resources	6.19	6.68	0.49
Net Position			
Net investment in capital assets	90.44	87.01	(3.43)
Restricted	44.79	70.60	25.81
Unrestricted: excluding pension activities	54.43	59.20	4.77
Unrestricted: related to pension activities	(119.04)	(128.94)	(9.90)
Total Net Position	\$ 70.62	\$ 87.87	\$ 17.25

The \$59.20 million and negative \$128.94 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 \$87.87 million. The total unrestricted deficit amount of \$69.74 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 \$59.2 million is committed or assigned to various programs of the District.

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Changes in Net Position

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

TABLE 2

(Amounts in millions)

<u>REVENUES</u>	<u>2018</u>	<u>2019</u>	<u>CHANGE</u>
Program revenues:			
Charges for services	\$ 0.13	\$ 0.01	\$ (0.12)
Operating grants and contributions	16.24	36.54	20.30
Federal and state sources	9.87	10.05	0.18
Property taxes	167.05	180.26	13.21
Other general revenue	14.00	3.45	(10.55)
Total Revenues	207.29	230.31	23.02
<u>EXPENSES</u>			
Instruction	107.44	116.31	8.87
Instruction-related services	28.14	31.41	3.27
Pupil services	22.01	22.85	0.84
General administration	9.28	10.03	0.75
Plant services	14.68	14.47	(0.21)
Ancillary services	0.40	0.48	0.08
Community services	0.01	0.01	-
Enterprise services	0.22	-	(0.22)
Interest on long-term debt	17.39	17.46	0.07
Other outgo	0.03	0.05	0.02
Total Expenditures	199.60	213.07	13.47
NET CHANGE IN POSITION	\$ 7.69	\$ 17.24	\$ 9.55

Governmental Activities

As reported in the *Statement of Activities* on page 16 the cost of all governmental activities this year was \$213.07 million. However, the amount that the taxpayers ultimately financed for these activities through local taxes was \$180.26 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 (\$36.54 million). The District paid for the remaining "public benefit" portion of our governmental activities with \$13.51 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, 2019

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>2018</u>	<u>2019</u>	<u>CHANGE</u>
Instruction	\$ 99.53	\$ 95.36	\$ (4.17)
Instruction-related services:			
Supervision of instruction	6.09	7.17	1.08
Instructional library, media and technology	2.88	3.01	0.13
School administration	17.84	18.43	0.59
Pupil services:			
Home-to-school transportation	2.87	2.54	(0.33)
Food services	3.11	3.43	0.32
All other pupil services	13.45	14.01	0.56
General administration:			
Data processing	0.51	0.52	0.01
All other general administration	8.35	8.71	0.36
Plant services	14.67	14.11	(0.56)
Ancillary services	0.40	0.46	0.06
Community services	0.01	0.01	-
Enterprise services	0.22	-	(0.22)
Interest on long-term debt	17.39	17.46	0.07
Other outgo	(4.09)	(8.71)	(4.62)
Total Net Cost	<u>\$ 183.23</u>	<u>\$ 176.51</u>	<u>\$ (6.72)</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, 2019

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds had a reported combined fund balance of \$334.09 million, which is an increase of \$118.42 million from last year.

The primary reasons for these changes are:

- a) The General Fund is the principal operating fund. The fund balance in the General Fund increased from \$29.02 million to \$31.02 million. This was primarily due to property taxes increase at 9.2 %.
- b) The Building fund showed an increase from \$133.04 million to \$225.74 million. This was primarily due to the combination of activities on the construction funded by Measure K bonds and a \$150 million new bond issuance.
- c) The Bond Interest and Redemption fund increased from \$36.21 million to \$54.08 million. This was primarily due to an increase in funds set aside for future debt redemption associated with the new bond sale.

General Fund Budgetary Highlights

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

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 17, 2018. (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 67).

- Significant revenue revisions made to the 2018-2019 budget were due to a STRS and PERS on-behalf rate increase.
- Significant expenditure revisions made to the 2018-2019 budget were due to the bargaining settlement reached during 2018-2019: 3.96% increased for FEA, 4.34% for CSEA, and 4.15% for FMA (Fremont Management Association).
- Significant expenditure revisions made to the 2018-2019 books, supplies and contracted services budget were due to carryovers of departments and school sites to be budgeted in 2019-2020 fiscal year.

FREMONT UNION HIGH SCHOOL DISTRICT

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$514.30 million in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, depreciation and disposal) of \$58.68 million from last year.

TABLE 4

(Amounts in millions)	Governmental Activities		
	2018	2019	CHANGE
Land	\$ 1.96	\$ 1.96	\$ -
Construction in progress	79.84	69.91	(9.93)
Buildings and improvements	454.69	532.06	77.37
Furniture and equipment	9.15	10.91	1.76
Total Assets	545.64	614.84	69.20
Less Accumulated Depreciation	(90.02)	(100.54)	(10.52)
Totals	<u>\$ 455.62</u>	<u>\$ 514.30</u>	<u>\$ 58.68</u>

This year's additions included school modernization of \$67.44 million, and equipment of \$1.76 million. A new \$150 million bonded debt was issued for these additions. The District has a plan to modernize existing classrooms and replace the athletic fields with synthetic turf. Several capital projects are planned for completion in the 2019-2020 year. More information about our capital assets is presented in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$817.75 million in long-term debt outstanding versus \$649.70 million last year, an increase of 25.87%.

TABLE 5

(Amounts in millions)	Governmental Activities		
	2018	2019	CHANGE
General obligation bonds and premiums	\$ 469.00	\$ 616.74	\$ 147.74
Compensated absences	1.52	1.53	0.01
Sub-total	470.52	618.27	147.75
Net pension liabilities	160.96	173.48	12.52
Net postemployment benefit liabilities	18.22	26.00	7.78
Totals	<u>\$ 649.70</u>	<u>\$ 817.75</u>	<u>\$ 168.05</u>

FREMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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 \$616.74 million is below this limit. Other obligations include compensated absences payable. More detailed information is presented in Note 10 of the financial statements.

The District has an estimated liability of \$26.00 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 \$7.41 million at June 30, 2019. 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. More detailed information is presented in Note 15 of the financial statements

GASB Statements No. 68 and No. 71 introduce requirements for accrual-basis recognition by state and local governments of employer costs and obligations for pensions. Under the 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 2019-2020 Budget

District Administration is projecting that its financial position will improve for the 2019-2020 budget. The State enacted the Local Control Funding Formula (LCFF) to replace revenue limits and most categorical programs, commencing in 2013-2014. 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 show a decline in the next 5 years. 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, 2019**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 349,264,746
Receivables	5,503,595
Prepaid expenses	314,242
Stores inventories	24,167
Capital assets not depreciated	71,865,116
Capital assets, net of accumulated depreciation	442,438,681
Total Assets	<u>869,410,547</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	13,081,977
Deferred outflows of resources related to pensions	51,221,320
Deferred outflows of resources related to OPEB	5,675,043
Total Deferred Outflows of Resources	<u>69,978,340</u>
LIABILITIES	
Accounts payable	19,233,142
Interest payable	7,389,773
Unearned revenue	323,306
Claims liability	140,726
Long-term obligations other than pensions and OPEB:	
Current portion	44,910,760
Noncurrent portion	573,362,236
Aggregate net pension liability	173,478,572
Net other postemployment benefit (OPEB) liability	26,002,269
Total Liabilities	<u>844,840,784</u>
DEFERRED INLFOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,681,551
Total Deferred Inflows of Resources	<u>6,681,551</u>
NET POSITION	
Net investment in capital assets	87,005,234
Restricted for:	
Debt service	46,692,766
Capital projects	14,395,857
Educational programs	8,064,529
Scholarship	99,743
Self insurance	1,322,656
Food programs	25,000
Unrestricted	(69,739,233)
Total Net Position	<u>\$ 87,866,552</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, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 116,308,692	\$ 289	\$ 20,950,322	\$ (95,358,081)
Instruction-related activities:				
Supervision of instruction	8,089,314	15	915,970	(7,173,329)
Instructional library, media, and technology	3,176,293	3	166,857	(3,009,433)
School site administration	20,154,606	21	1,727,470	(18,427,115)
Pupil services:				
Home-to-school transportation	2,544,332	-	-	(2,544,332)
Food services	4,074,354	-	645,087	(3,429,267)
All other pupil services	16,226,864	-	2,213,921	(14,012,943)
Administration:				
Data processing	541,693	-	17,059	(524,634)
All other administration	9,485,540	4	780,344	(8,705,192)
Plant services	14,469,717	4	359,014	(14,110,699)
Ancillary services	480,807	-	18,897	(461,910)
Community services	12,098	-	-	(12,098)
Interest on long-term obligations	17,460,155	-	-	(17,460,155)
Other outgo	34,155	6,039	8,742,842	8,714,726
Total Governmental Activities	\$ 213,058,620	\$ 6,375	\$ 36,537,783	(176,514,462)
General Revenues:				
				139,013,917
Property taxes, levied for general purposes				35,911,606
Property taxes, levied for debt service				5,327,658
Taxes levied for other specific purposes				10,053,711
Federal and State aid not restricted to specific purposes				1,875,144
Interest and investment earnings				1,576,550
Miscellaneous				<u>193,758,586</u>
				Subtotal, General Revenues
				17,244,124
				Change in Net Position
				70,622,428
				<u>Net Position - Beginning</u>
				<u>\$ 87,866,552</u>
				<u>Net Position - Ending</u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 33,800,031	\$ 234,891,832	\$ 53,933,204
Receivables	3,571,839	977,767	149,335
Due from other funds	181,194	4,973,234	-
Prepaid expenditures	100,132	-	-
Stores inventories	-	-	-
Total Assets	\$ 37,653,196	\$ 240,842,833	\$ 54,082,539
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,112,893	\$ 15,021,188	\$ -
Due to other funds	2,457,740	-	-
Unearned revenue	66,430	84,825	-
Total Liabilities	6,637,063	15,106,013	-
Fund Balances:			
Nonspendable	92,331	-	-
Restricted	8,000,102	176,363,805	54,082,539
Committed	12,071,941	-	-
Assigned	4,882,326	49,373,015	-
Unassigned	5,969,433	-	-
Total Fund Balances	31,016,133	225,736,820	54,082,539
Total Liabilities and Fund Balances	\$ 37,653,196	\$ 240,842,833	\$ 54,082,539

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 10,469,103	\$ 15,092,729	\$ 348,186,899
57,348	741,072	5,497,361
-	292,967	5,447,395
-	1,348	101,480
-	24,167	24,167
<u>\$ 10,526,451</u>	<u>\$ 16,152,283</u>	<u>\$ 359,257,302</u>

\$ -	\$ 99,061	\$ 19,233,142
3,000,000	181,194	5,638,934
-	147,051	298,306
<u>3,000,000</u>	<u>427,306</u>	<u>25,170,382</u>

-	25,890	118,221
7,526,451	7,032,686	253,005,583
-	8,614,005	20,685,946
-	52,396	54,307,737
-	-	5,969,433
<u>7,526,451</u>	<u>15,724,977</u>	<u>334,086,920</u>

<u>\$ 10,526,451</u>	<u>\$ 16,152,283</u>	<u>\$ 359,257,302</u>
----------------------	----------------------	-----------------------

This page left blank intentionally.

FREMONT UNION HIGH SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds	\$ 334,086,920
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:	614,846,563
Accumulated depreciation is:	<u>(100,542,766)</u>
Net Capital Assets	514,303,797
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.	
	13,081,977
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.	
	(7,389,773)
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.	
	1,322,656
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.	
	5,675,043
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.	
	44,539,769
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(564,425,085)
Bonds premium	(52,319,260)
Compensated absences (vacations)	(1,528,651)
Net OPEB Liability	(26,002,269)
Net pension Liability	<u>(173,478,572)</u>
Total Net Position - Governmental Activities	<u>\$ 87,866,552</u>

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, 2019**

	General Fund	Building Fund
REVENUES		
Local control funding formula	\$ 140,883,377	\$ -
Federal sources	2,983,548	-
Other State sources	20,132,265	72,715
Other local sources	9,201,241	7,140,291
Total Revenues	<u>173,200,431</u>	<u>7,213,006</u>
EXPENDITURES		
Current		
Instruction	103,163,878	-
Instruction-related activities:		
Supervision of instruction	7,179,898	-
Instructional library, media and technology	2,841,058	-
School site administration	15,285,887	-
Pupil services:		
Home-to-school transportation	2,285,306	-
Food services	231	-
All other pupil services	14,574,887	-
Administration:		
Data processing	486,546	-
All other administration	8,568,945	-
Plant services	12,381,885	358,322
Ancillary services	431,859	-
Community services	10,867	-
Other outgo	34,155	-
Capital Outlays	758,082	65,090,384
Debt service		
Principal	-	-
Interest and other	-	425,253
Total Expenditures	<u>168,003,484</u>	<u>65,873,959</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,196,947</u>	<u>(58,660,953)</u>
Other Financing Sources (Uses)		
Transfers in	-	1,355,722
Proceeds from sale of bonds	-	150,000,000
Transfers out	(3,198,655)	-
Net Financing Sources (Uses)	<u>(3,198,655)</u>	<u>151,355,722</u>
NET CHANGE IN FUND BALANCES	1,998,292	92,694,769
Fund Balance - Beginning	29,017,841	133,042,051
Fund Balance - Ending	<u>\$ 31,016,133</u>	<u>\$ 225,736,820</u>

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

Bond Interest and Redemption Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 855,638	\$ 141,739,015
911,149	-	932,380	4,827,077
105,151	-	10,214,688	30,524,819
55,959,327	1,245,466	2,694,644	76,240,969
<u>56,975,627</u>	<u>1,245,466</u>	<u>14,697,350</u>	<u>253,331,880</u>
-	-	1,303,999	104,467,877
-	-	85,883	7,265,781
-	-	11,872	2,852,930
-	-	2,816,878	18,102,765
-	-	-	2,285,306
-	-	3,659,333	3,659,564
-	-	-	14,574,887
-	-	-	486,546
-	17,400	247,246	8,833,591
-	-	426,204	13,166,411
-	-	-	431,859
-	-	-	10,867
-	-	-	34,155
-	3,000,000	171,912	69,020,378
21,070,000	-	-	21,070,000
18,036,333	-	-	18,461,586
<u>39,106,333</u>	<u>3,017,400</u>	<u>8,723,327</u>	<u>284,724,503</u>
<u>17,869,294</u>	<u>(1,771,934)</u>	<u>5,974,023</u>	<u>(31,392,623)</u>
-	-	1,651,394	3,007,116
-	-	-	150,000,000
-	-	-	(3,198,655)
-	-	1,651,394	149,808,461
17,869,294	(1,771,934)	7,625,417	118,415,838
36,213,245	9,298,385	8,099,560	215,671,082
<u>\$ 54,082,539</u>	<u>\$ 7,526,451</u>	<u>\$ 15,724,977</u>	<u>\$ 334,086,920</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, 2019

Total Net Change in Fund Balances - Governmental Funds **\$ 118,415,838**

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	69,209,407
Depreciation expense	<u>(10,521,652)</u>
Net Expense Adjustment	58,687,755

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. (7,384)

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. (9,900,570)

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. (2,276,747)

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. 1,687,108

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, 2019

Accreted interest is not an expenditure in the governmental funds, but it increases the long-term liabilities in the statement of net position and does not effect the statement of activities.	(380,618)
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.	21,070,000
Proceeds and premiums received from a general obligation bond are revenues in the governmental funds, but increase long-term obligations in the statement of net position and does not affect the statement of activities.	(170,119,828)
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.	300,864
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.	373,629
Change in Net Position of Governmental Activities	<u><u>\$ 17,244,124</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, 2019**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 1,077,847
Receivables	6,234
Due from other funds	191,539
Prepaid expenses	212,762
Total Assets	<u>1,488,382</u>
LIABILITIES	
Current Liabilities	
Unearned revenue	25,000
Noncurrent Liabilities	
Claims liability	140,726
Total Liabilities	<u>165,726</u>
NET POSITION	
Restricted for insurance programs	<u>\$ 1,322,656</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, 2019**

	Governmental Activities - Internal Service Fund
	<hr/>
OPERATING REVENUES	
In-District premium	\$ 2,484,372
OPERATING EXPENSES	
Professional and contract services	2,278,652
Facility rental	27,784
Other operating expenses	12,805
Total Operating Expenses	<hr/> 2,319,241 <hr/>
Operating Income	<hr/> 165,131 <hr/>
NONOPERATING REVENUES	
Interest income	16,959
Transfers in	<hr/> 191,539 <hr/>
Change in Net Position	373,629
Total Net Position - Beginning	949,027
Total Net Position - Ending	<hr/> <hr/> \$ 1,322,656 <hr/> <hr/>

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, 2019**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 2,289,475
Cash payments for insurance claims	(2,398,507)
Net Cash Provided By Operating Activities	<u>(109,032)</u>
CASH FLOWS FROM NONCAPITAL	
Cash received from assessments made to other funds	191,539
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	14,707
Net increase in cash and cash equivalents	<u>97,214</u>
Cash and cash equivalents - Beginning	980,633
Cash and cash equivalents - Ending	<u><u>\$ 1,077,847</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	\$ 165,131
Due from other fund	(118,442)
Prepaid expenses	(76,455)
Accrued liabilities	(79,266)
Net Cash Provided By Operating Activities	<u><u>\$ (109,032)</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, 2019**

	Retiree Benefits Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Deposits and investments	\$ 7,481,809	\$ 2,437,577
Receivables	396	-
Total Assets	<u>7,482,205</u>	<u>2,437,577</u>
 LIABILITIES		
Accounts payable	73,518	-
Due to student groups	-	2,437,577
Total Liabilities	<u>73,518</u>	<u>\$ 2,437,577</u>
 NET POSITION		
Restricted for postemployment benefits other than pensions	<u>\$ 7,408,687</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, 2019**

	Retiree Benefits Trust
ADDITIONS	
Employer contributions	\$ 1,716,003
Investment income	115,788
Total Additions	<u>1,831,791</u>
DEDUCTIONS	
Benefit payments	<u>1,653,178</u>
Change in Net Position	178,613
Net Position - Beginning	7,230,074
Net Position - Ending	<u><u>\$ 7,408,687</u></u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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).

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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 local educational agency.

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).

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.).

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost reimbursement basis. The District operates a workers' compensation, dental, vision, and property and liability programs that are accounted for in an internal service fund.

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

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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, 2019, 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

Unassigned – all other spendable amounts.

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 2018-2019, 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, 2019, the fund balance for the General Fund was reported as amounts committed and unassigned, respectively, and in total 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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.

New Accounting Pronouncements Effective This Fiscal Year

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

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

New Accounting Pronouncements Effective in Future Fiscal Years

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds	\$ 348,186,899
Proprietary fund	1,077,847
Fiduciary funds	9,919,386
Total Deposits and Investments	<u>\$ 359,184,132</u>

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

Cash on hand and in banks	\$ 2,202,478
Cash in revolving	15,378
Investments	356,966,276
Total Deposits and Investments	<u>\$ 359,184,132</u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District 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	\$ 349,259,335	436
Annuities for Retiree Benefit Trust Fund	7,414,235	Not applicable
Certificates of Deposits	292,706	478
Total	\$ 356,966,276	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The annuity with ING ReliaStar Group is a fixed investment product with ING that is principal protected and guarantees a 3 percent minimum rate of return. ReliaStar life Insurance Company has a rating from Standard and Poor's AA.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does 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, 2019, approximately \$999,347 of the District's bank balances of \$2,510,562 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 \$7,414,235 the District has a custodial credit risk exposure of \$7,414,235 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.

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, 2019:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 349,259,335	\$ -	\$ -	\$ -	\$ 349,259,335
Mutual Fund	7,414,235	7,414,235	-	-	-
Certificates of Deposits	292,706	292,706	-	-	-
Total	<u>\$ 356,966,276</u>	<u>\$ 7,706,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,259,335</u>

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Non-Major Governmental Funds	Proprietary Fund	Total
Federal Government							
Categorical aid	\$1,923,554	\$ -	\$ -	\$ -	\$ 383,759	\$ -	\$2,307,313
State Government							
Categorical aid	364,202	-	-	-	251,635	-	615,837
Lottery	363,041	-	-	-	-	-	363,041
Local Government							
Interest	218,768	732,367	149,335	57,348	80,389	5,571	1,243,778
Other	702,274	245,400	-	-	25,289	663	973,626
Total	<u>\$3,571,839</u>	<u>\$ 977,767</u>	<u>\$ 149,335</u>	<u>\$ 57,348</u>	<u>\$ 741,072</u>	<u>\$ 6,234</u>	<u>\$5,503,595</u>

FREMONT UNION HIGH SCHOOL DISTRICT

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

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions/ Adjustments	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,958,025	\$ -	\$ -	\$ 1,958,025
Construction in progress	79,839,069	67,446,278	77,378,256	69,907,091
Total Capital Assets Not Being Depreciated	<u>81,797,094</u>	<u>67,446,278</u>	<u>77,378,256</u>	<u>71,865,116</u>
Capital Assets Being Depreciated:				
Buildings and improvements	454,689,013	77,378,256	-	532,067,269
Furniture and equipment	9,151,049	1,763,129	-	10,914,178
Total Capital Assets Being Depreciated	<u>463,840,062</u>	<u>79,141,385</u>	<u>-</u>	<u>542,981,447</u>
Total Capital Assets	<u>545,637,156</u>	<u>146,587,663</u>	<u>77,378,256</u>	<u>614,846,563</u>
Less Accumulated Depreciation:				
Buildings and improvements	85,567,345	9,940,868	-	95,508,213
Furniture and equipment	4,453,769	580,784	-	5,034,553
Total Accumulated Depreciation	<u>90,021,114</u>	<u>10,521,652</u>	<u>-</u>	<u>100,542,766</u>
Governmental Activities Capital Assets, Net	<u>\$ 455,616,042</u>	<u>\$ 136,066,011</u>	<u>\$ 77,378,256</u>	<u>\$ 514,303,797</u>

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

Governmental Activities	
Instruction	\$ 6,240,405
Supervision of instruction	434,022
Instructional library, media, and technology	170,420
School site administration	1,081,371
Home-to-school transportation	136,513
Food services	218,605
All other pupil services	870,633
Ancillary service	25,797
Community services	649
All other general administration	527,676
Data processing	29,064
Plant services	786,497
Total Depreciation Expenses Governmental Activities	<u>\$ 10,521,652</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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	\$ -	\$ 1,973,234	\$ 292,967	\$ 191,539	\$ 2,457,740
Capital Facilities Fund	-	3,000,000	-	-	3,000,000
Non-Major Governmental Funds	181,194	-	-	-	181,194
Total	\$ 181,194	\$ 4,973,234	\$ 292,967	\$ 191,539	\$ 5,638,934

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, 2019, consisted of the following:

Transfer Out	Transfer In			Total
	Building Fund	Non-Major Governmental Funds	Proprietary Fund	
General Fund	\$ 1,355,722	\$ 1,651,394	\$ 191,539	\$ 3,198,655

The General fund transferred to the Cafeteria fund for support.	\$ 1,651,394
The General fund transferred to the Building fund for the District-wide Technology fund.	1,355,722
The General fund transferred to the Self Insurance fund to support cash flow.	191,539
Total	\$ 3,198,655

FREMONT UNION HIGH SCHOOL DISTRICT

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

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 \$87,005,234 includes the effect of deferring the recognition of loss from advance refunding. The \$13,081,977 balance of the deferred outflows of resources at June 30, 2019, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2019, consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Deferred charges on refunding	13,687,900	\$ -	\$ 605,923	\$ 13,081,977

NOTE 8 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,056,634	\$ 15,020,220	\$ 29,428	\$ 17,106,282
State categorical	811,427	968	65,088	877,483
Salaries and benefits	1,244,832	-	-	1,244,832
Other	-	-	4,545	4,545
Total	<u>\$ 4,112,893</u>	<u>\$ 15,021,188</u>	<u>\$ 99,061</u>	<u>\$ 19,233,142</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Local grants	<u>\$ 66,430</u>	<u>\$ 84,825</u>	<u>\$ 147,051</u>	<u>\$ 298,306</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 435,114,467	\$ 150,380,618	\$ 21,070,000	\$ 564,425,085	\$ 41,695,000
Bond premium	33,886,540	20,119,828	1,687,108	52,319,260	1,687,109
Compensated absences	1,521,267	7,384	-	1,528,651	1,528,651
Total	<u>\$ 470,522,274</u>	<u>\$ 170,507,830</u>	<u>\$ 22,757,108</u>	<u>\$ 618,272,996</u>	<u>\$ 44,910,760</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, 2018	Issued/ Accretion	Redeemed/ Refunded	Bonds Outstanding June 30, 2019
8/14/08	8/1/33	4-5%	\$ 80,000,000	\$ 1,690,000	\$ -	\$ 1,690,000	\$ -
3/10/11	8/1/40	6.875-12%	16,090,108	3,554,467	380,618	-	3,935,085
3/10/11	2/1/26	5.45-6.08%	25,000,000	18,625,000	-	1,060,000	17,565,000
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	82,000,000	-	-	82,000,000
5/14/15	8/1/40	2-5%	156,115,000	138,020,000	-	9,375,000	128,645,000
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	-	8,945,000	22,225,000
6/20/17	8/1/44	2-5%	44,250,000	43,225,000	-	-	43,225,000
5/15/19	8/1/46	3.00-5.00%	100,280,000	-	100,280,000	-	100,280,000
5/15/19	8/1/34	5.00%	30,000,000	-	30,000,000	-	30,000,000
5/15/19	8/1/19	2.33%	19,720,000	-	19,720,000	-	19,720,000
				<u>\$ 435,114,467</u>	<u>\$ 150,380,618</u>	<u>\$ 21,070,000</u>	<u>\$ 564,425,085</u>

FREMONT UNION HIGH SCHOOL DISTRICT

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

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>
2020	\$ 41,695,000	\$ 20,948,467	\$ 62,643,467
2021	19,530,000	21,990,772	41,520,772
2022	22,745,000	21,032,424	43,777,424
2023	18,080,000	20,050,704	38,130,704
2024	9,435,000	19,382,644	28,817,644
2025-2029	52,046,938	92,844,198	144,891,136
2030-2034	73,463,151	79,369,961	152,833,112
2035-2039	108,785,000	55,685,959	164,470,959
2040-2044	135,680,000	29,860,770	165,540,770
2045-2047	80,750,000	3,584,975	84,334,975
Total	<u>562,210,089</u>	<u>\$ 364,750,874</u>	<u>\$ 926,960,963</u>
Accreted interest	<u>2,214,996</u>		
	<u>\$ 564,425,085</u>		

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,528,651.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 15,003	\$ -	\$ -	\$ -	\$ 375	\$ 15,378
Stores inventories	-	-	-	-	24,167	24,167
Prepaid expenditures	77,328	-	-	-	1,348	78,676
Total Nonspendable	<u>92,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,890</u>	<u>118,221</u>
Restricted						
Educational programs	8,000,102	-	-	-	162,822	8,162,924
Capital projects	-	176,363,805	-	7,526,451	6,869,406	190,759,662
Debt services	-	-	54,082,539	-	-	54,082,539
Food programs	-	-	-	-	458	458
Total Restricted	<u>8,000,102</u>	<u>176,363,805</u>	<u>54,082,539</u>	<u>7,526,451</u>	<u>7,032,686</u>	<u>253,005,583</u>
Committed						
Educational programs	12,071,941	-	-	-	-	12,071,941
Maintenance program	-	-	-	-	7,324,422	7,324,422
Adult education program	-	-	-	-	1,289,583	1,289,583
Total Committed	<u>12,071,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,614,005</u>	<u>20,685,946</u>
Assigned						
Program carryover	4,882,326	-	-	-	52,396	4,934,722
Capital projects	-	49,373,015	-	-	-	49,373,015
Total Assigned	<u>4,882,326</u>	<u>49,373,015</u>	<u>-</u>	<u>-</u>	<u>52,396</u>	<u>54,307,737</u>
Unassigned						
Reserve for economic uncertainties	5,173,689	-	-	-	-	5,173,689
Remaining unassigned	795,744	-	-	-	-	795,744
Total Unassigned	<u>5,969,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,969,433</u>
Total	<u>\$ 31,016,133</u>	<u>\$ 225,736,820</u>	<u>\$ 54,082,539</u>	<u>\$ 7,526,451</u>	<u>\$ 15,724,977</u>	<u>\$ 334,086,920</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 3,930,867
2021	4,048,793
2022	4,170,257
2023	4,295,365
2024	4,424,226
2025-2029	24,193,480
2030-2034	25,132,397
2035-2039	16,576,459
2040-2042	11,187,653
Total	<u>\$ 97,959,497</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, 2019, 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 2019, 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, 2019

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, 2017 to June 30, 2019:

	Workers' Compensation	Dental	Vision	Property and Liability	Total
Liability Balance, July 1, 2017	\$ 90,306	\$ 81,670	\$ 8,837	\$ 67,915	\$ 248,728
Claims and changes in estimates	(15,581)	(1,409,289)	(630,632)	(252,225)	(2,280,727)
Claims payments	-	1,423,115	685,830	195,046	2,303,991
Liability Balance, June 30, 2018	\$ 74,725	\$ 95,496	\$ 64,035	\$ 10,736	\$ 244,992
Claims and changes in estimates	(108,211)	(1,323,199)	(236,349)	(710,159)	(2,377,918)
Claims payments	67,445	1,299,333	181,324	725,550	2,273,652
Liability Balance, June 30, 2019	<u>\$ 33,959</u>	<u>\$ 71,630</u>	<u>\$ 9,010</u>	<u>\$ 26,127</u>	<u>\$ 140,726</u>
Assets available to pay claims at June 30, 2019	<u>\$ 86,514</u>	<u>\$ 1,149,216</u>	<u>\$ 162,521</u>	<u>\$ 65,131</u>	<u>\$ 1,463,382</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, 2019 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	\$ 113,856,062	\$ 34,199,227	\$ 6,681,551	\$ 14,355,466
CalPERS	59,622,510	17,022,093	-	12,139,197
Total	<u>\$ 173,478,572</u>	<u>\$ 51,221,320</u>	<u>\$ 6,681,551</u>	<u>\$ 26,494,663</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

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, 2019, 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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$10,977,082.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	113,856,062
State's proportionate share of the net pension liability associated with the District		65,187,921
Total	\$	<u>179,043,983</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1239 percent and 0.1178 percent, resulting in a net increase in the proportionate share of 0.0061 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$14,355,466. In addition, the District recognized pension expense and revenue of \$7,658,111 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,997,082	\$ -
Net change in proportionate share of net pension liability	5,161,236	643,552
Difference between projected and actual earnings	-	4,384,177
Change in assumption	17,687,846	-
Differences between expected and actual experience in the measurement of the total pension liability	353,063	1,653,822
Total	<u>\$ 34,199,227</u>	<u>\$ 6,681,551</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 951,929
2021	(690,744)
2022	(3,678,154)
2023	(967,208)
Total	<u>\$ (4,384,177)</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
2020	\$ 4,041,038
2021	4,041,038
2022	4,041,039
2023	3,968,772
2024	4,146,179
Thereafter	666,705
Total	<u>\$ 20,904,771</u>

Actuarial Methods and Assumptions

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

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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%

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, 2019

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%)	\$ 166,785,807
Current discount rate (7.10%)	113,856,062
1% increase (8.10%)	69,972,167

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

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, 2019

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions 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, 2019, are presented above and the total District contributions were \$5,597,011.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$59,622,510. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was percent 0.2236 and 0.2178 percent, resulting in a net increase in the proportionate share of 0.0058 percent.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$12,139,197. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 5,597,011	\$ -
Net change in proportionate share of net pension liability	1,074,366	-
Difference between projected and actual earnings on pension plan investments	489,038	-
Differences between expected and actual experience in the measurement of the total pension liability	3,908,633	-
Changes of assumptions	5,953,045	-
Total	<u>\$ 17,022,093</u>	<u>\$ -</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 /(Inflows) of Resources
<u> </u>	<u> </u>
2020	\$ 1,778,740
2021	425,369
2022	(1,363,154)
2023	(351,917)
Total	<u>\$ 489,038</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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows /(Inflows) of Resources
<u> </u>	<u> </u>
2020	\$ 5,119,156
2021	4,362,308
2022	1,454,580
Total	<u>\$ 10,936,044</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%
	100%	

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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%)	\$ 65,892,765
Current discount rate (7.15%)	59,622,510
1% increase (8.15%)	26,070,320

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 \$6,016,442, \$5,242,506, and \$4,308,598, for fiscal years ending June 30, 2019, 2018 and 2017 respectively (9.828 percent of annual payroll, 9.328 percent of 2017-2018, and 8.828 percent of 2016-2017 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. On behalf payments have been included in the calculation of available reserves and of the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule*.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

For the fiscal year ended June 30, 2019, 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	OPEB Expense
The Plan	\$ 26,002,269	\$ 5,675,043	\$ -	\$ 4,003,436

The details of the District plan are 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, 2019, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	154
Active plan members	996
Total Plan Members	<u>1,150</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 2018-2019, the District contributed \$1,653,178 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 \$2,015, \$976 and \$3,939 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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.75 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, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	100%	2.75%

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Changes in the Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Total OPEB Liability			
Balance at June 30, 2018	\$ 25,518,400	\$ 7,302,945	\$ 18,215,455
Changes recognized for the year:			
Service cost	2,559,702	-	2,559,702
Interest on total OPEB liability	1,132,980	-	1,132,980
Change in assumption	2,489,400	-	2,489,400
Experience gains/losses	2,609,231	-	2,609,231
Difference between expected and actual benefit payments	753,398	-	753,398
Employer contributions	-	1,653,178	(1,653,178)
Difference between expected and actual investment income	-	104,719	(104,719)
Benefit payments	(1,653,178)	(1,653,178)	-
Net change	7,891,533	104,719	7,786,814
Balance at June 30, 2019	<u>\$ 33,409,933</u>	<u>\$ 7,407,664</u>	<u>\$ 26,002,269</u>

The components of the net OPEB liability of the District as June 30, 2019, were as follows:

Total OPEB liability	\$ 33,409,933
Plan fiduciary net position	7,407,664
District's net OPEB liability	<u>\$ 26,002,269</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>22%</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$3,929,925. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Net differences between projected and actual earnings on plan investments	\$ 291,177
Differences between expected and actual experiences	3,093,618
Change in assumption	2,290,248
Total	<u>\$ 5,675,043</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows of resources related to OPEB will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 12.5 years and will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflows of Resources
2020	\$ 551,268
2021	551,268
2022	551,268
2023	510,024
2024	468,162
Thereafter	3,043,053
	<u>\$ 5,675,043</u>

Actuarial Methods and Assumptions

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, 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	3.50 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, 2019 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 3.5 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.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

	1% Decrease 2.5%	Discount Rate 3.5%	1% Increase 4.5%
Net OPEB liability	<u>\$ 29,529,388</u>	<u>\$ 26,002,269</u>	<u>\$ 22,931,362</u>

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	<u>\$ 23,405,447</u>	<u>\$ 26,002,269</u>	<u>\$ 28,581,100</u>

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, 2019.

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, 2019.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Construction Commitments

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

Capital Project	Expected Date of Completion	Remaining Construction Commitment
District Office and Adult Education Building	12/31/21	\$ 3,586,328
CHS Athletic Field Improvements	12/21/20	23,115
CHS Classroom Modernization Bldg 500/Science Roof	10/01/20	211,179
CHS Science Bldg Roofing	10/01/20	383,352
FHS Athletic Field Improvements	to be determined	27,455
FHS Classroom Modernization Original Building	12/31/20	15,426
FHS GSS and Classroom Building	01/01/20	3,833,433
FHS Main Bldg Modernization/Student Center	12/31/20	1,797,500
HHS Classroom Modernization Bldg A 2nd Fl	07/01/21	101,384
HHS GSS Building/Remove Building D	10/30/20	1,167,960
HHS Innovation Hub/New Classroom Building	08/01/20	2,701,004
HHS Remodel A Building Admin Space to Classroom	07/01/21	19,750
HHS Seismic Upgrades	to be determined	3,230,000
HHS Temporary Housing	to be determined	181,978
LHS Athletic Field Improvements	to be determined	37,895
LHS GSS Building, Parking & Relocate PV	12/15/21	1,219,653
LHS Gym Lobby	11/01/20	45,273
LHS New Cafeteria, Main Quad	08/01/19	7,791,000
MVHS Bldg A & C HVAC	08/06/19	3,033,110
MVHS Classroom Modernization Bldg AB&C 2nd FL	08/01/21	1,346,421
MVHS Guidance Center Remodel	03/01/19	68,208
MVHS Gym Mod, Amphitheater/Dance/Path of Travel	02/01/19	751,244
New Ed Options and ACE Campus	09/15/19	6,112,233
Total		<u>\$ 37,684,900</u>

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

The District is a member of the Silicon Valley Joint Powers Transportation Agency (SVJPA), the Santa Clara County Schools Insurance Group (SCCSIG), and the Northern California Regional Liability Excess Fund (North CalReLiEF). The relationship between the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

FREMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District has appointed one board member to the Governing Board of SVJPA, SCCSIG, and North CalReLiEF. During the year ended June 30, 2019, the District made payments as follows:

<u>Related Entities</u>	<u>Service Payments</u>	<u>Service Provided</u>
SVJPA	\$ 2,138,045	Transportation for special education students
SCCSIG	1,134,117	Excess workers' compensation insurance
North CalReLiEF	716,815	Property and liability insurance

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts			Variances -
	Original	Final	Actual	Favorable
				(Unfavorable)
				Final
				to Actual
REVENUES				
Local control funding formula	\$ 135,234,723	\$ 141,022,587	\$ 140,883,377	\$ (139,210)
Federal sources	2,880,221	3,015,017	2,983,548	(31,469)
Other State sources ¹	9,962,552	13,674,650	20,132,265	6,457,615
Other local sources	7,970,373	9,077,808	9,201,241	123,433
Total Revenues	156,047,869	166,790,062	173,200,431	6,410,369
EXPENDITURES				
Current				
Certificated salaries	68,703,540	70,443,294	69,764,866	678,428
Classified salaries	24,701,442	25,602,400	25,505,008	97,392
Employee benefits ¹	39,962,746	42,302,970	48,755,951	(6,452,981)
Books and supplies	6,383,866	6,606,330	5,341,355	1,264,975
Services and operating expenditures	18,696,565	20,020,258	18,052,241	1,968,017
Other outgo	(218,085)	(262,212)	(213,090)	(49,122)
Capital outlay	786,663	764,217	797,153	(32,936)
Total Expenditures	159,016,737	165,477,257	168,003,484	(2,526,227)
Excess Expenditures				
Over Revenues	(2,968,868)	1,312,805	5,196,947	3,884,142
Other Financing Sources (Uses)				
Transfers in	3,058,064	1,712,655	-	(1,712,655)
Transfers out	(1,207,383)	(4,115,945)	(3,198,655)	917,290
Net Financing Sources (Uses)	1,850,681	(2,403,290)	(3,198,655)	(795,365)
NET CHANGE IN FUND BALANCES	(1,118,187)	(1,090,485)	1,998,292	3,088,777
Fund Balance - Beginning	29,017,841	29,017,841	29,017,841	-
Fund Balance - Ending	\$ 27,899,654	\$ 27,927,356	\$ 31,016,133	\$ 3,088,777

¹ Budgeted amounts do not include state on-behalf payment of approximately \$4 million related Senate Bill 90.

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, 2019**

MEASUREMENT DATE, JUNE 30,	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 2,559,702	\$ 2,491,194	\$ 2,424,520
Interest on total OPEB liability	1,132,980	1,021,333	917,585
Difference between expected and actual benefit payments	753,398	-	-
Differences between expected and actual experience	2,609,231	-	-
Changes of assumptions	2,489,400	-	-
Benefit payments	(1,653,178)	(1,000,905)	(991,200)
Net changes in total OPEB liability	7,891,533	2,511,622	2,350,905
Total OPEB Liability - beginning	25,518,400	23,006,778	20,655,873
Total OPEB Liability - ending (a)	33,409,933	25,518,400	23,006,778
Plan Fiduciary Net Position			
Contributions - employer	1,653,178	1,000,905	962,409
Net investment income	104,719	103,361	116,073
Benefit payments	(1,653,178)	(1,000,905)	(991,200)
Net change in plan fiduciary net position	104,719	103,361	87,282
Plan fiduciary net position - beginning	7,302,945	7,199,584	7,112,302
Plan fiduciary net position - ending (b)	7,407,664	7,302,945	7,199,584
District's net OPEB liability - ending (a) - (b)	\$ 26,002,269	\$ 18,215,455	\$ 15,807,194
Plan fiduciary net position as a percentage of the total OPEB liability	22.17%	28.62%	31.29%
Covered payroll	\$ 98,575,729	\$ 92,035,344	\$ 91,832,884
District's net OPEB liability as a percentage of covered - payroll	26.38%	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, 2019**

	2019	2018	2017
Annual money weighted rate of return, net of investment expense	3.50%	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.

This page left blank intentionally.

FREMONT UNION HIGH SCHOOL DISTRICT

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

MEASUREMENT DATE, JUNE 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.12390%</u>	<u>0.11783%</u>	<u>0.11900%</u>
District's proportionate share of the pension liability	\$ 113,856,062	\$ 108,971,315	\$ 96,257,466
State's proportionate share of the net pension liability associated with the District	<u>65,187,921</u>	<u>64,466,509</u>	<u>54,797,658</u>
Total	<u>\$ 179,043,983</u>	<u>\$ 173,437,824</u>	<u>\$ 151,055,124</u>
District's covered payroll	<u>\$ 66,364,690</u>	<u>\$ 63,679,597</u>	<u>\$ 60,292,804</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>172%</u>	<u>171%</u>	<u>160%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.22361%</u>	<u>0.21777%</u>	<u>0.21772%</u>
District's proportionate share of the pension liability	<u>\$ 59,622,510</u>	<u>\$ 51,988,034</u>	<u>\$ 42,999,244</u>
District's covered payroll	<u>\$ 27,758,189</u>	<u>\$ 27,758,189</u>	<u>\$ 26,128,463</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>215%</u>	<u>187%</u>	<u>165%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

<u>2015</u>	<u>2014</u>
<u>0.11867%</u>	<u>0.11573%</u>
\$ 79,891,779	\$ 67,631,744
<u>42,253,944</u>	<u>40,838,967</u>
<u>\$ 122,145,723</u>	<u>\$ 108,470,711</u>
<u>\$ 50,227,021</u>	<u>\$ 51,955,637</u>
<u>159%</u>	<u>130%</u>
<u>74%</u>	<u>77%</u>
<u>0.21077%</u>	<u>0.20563%</u>
<u>\$ 31,068,349</u>	<u>\$ 23,344,213</u>
<u>\$ 23,139,080</u>	<u>\$ 21,689,629</u>
<u>134%</u>	<u>108%</u>
<u>79%</u>	<u>83%</u>

FREMONT UNION HIGH SCHOOL DISTRICT

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

FISCAL YEAR END, JUNE 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS			
Contractually required contribution	\$ 10,997,082	\$ 9,573,016	\$ 7,918,756
Contributions in relation to the contractually required contribution	<u>10,997,082</u>	<u>9,573,016</u>	<u>7,918,756</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 67,584,347</u>	<u>\$ 66,364,690</u>	<u>\$ 63,679,597</u>
Contributions as a percentage of covered payroll	<u>16.27%</u>	<u>14.42%</u>	<u>12.44%</u>
CalPERS			
Contractually required contribution	\$ 5,597,011	\$ 4,581,720	\$ 3,855,057
Contributions in relation to the contractually required contribution	<u>5,597,011</u>	<u>4,581,720</u>	<u>3,855,057</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 30,991,382</u>	<u>\$ 29,500,480</u>	<u>\$ 27,758,189</u>
Contributions as a percentage of covered payroll	<u>18.06%</u>	<u>15.53%</u>	<u>13.89%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 6,430,351	\$ 4,907,917
<u>6,430,351</u>	<u>4,907,917</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 60,292,804</u>	<u>\$ 50,227,021</u>
<u>10.60%</u>	<u>9.77%</u>

\$ 3,095,439	\$ 2,647,574
<u>3,095,439</u>	<u>2,647,574</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 26,128,463</u>	<u>\$ 23,139,080</u>
<u>11.85%</u>	<u>11.44%</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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.

Changes in Benefit Terms – There were not changes in benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 4.3% to 3.5% since the previous valuation.

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

Schedule of District Pension Contributions

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

SUPPLEMENTARY INFORMATION

FREMONT UNION HIGH SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education Act:			
Adult Basic Education and ESL	84.002A	14508	\$ 250,727
Adult Secondary Education	84.002	13978	81,950
English Literacy and Civics Education	84.002A	14109	<u>66,766</u>
Total Adult Education			\$ 399,443
Title II, Part A, Teacher Quality	84.367	14341	134,715
Title III-Limited English Proficiency (LEP)	84.365	14346	123,825
Individuals with Disabilities Act, Part B, Sec 611:			
Basic Local Assistance Entitlement	84.027	13379	1,618,293
Alternative Dispute Resolution	84.027A	13007	864
Mental Health ADA Allocation Plan	84.027A	14468	<u>404,857</u>
Total Special Education Cluster			2,024,014
Carl D Perkins, Technology Secondary, Section 131	84.048	14894	142,916
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006	<u>459,207</u>
Total U.S. Department of Education			<u><u>3,284,120</u></u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13523	296,552
National School Breakfast	10.553	13525	72,711
Especially Needy Breakfast	10.553	13526	145,787
Summer Food Service Program Operations	10.559	13004	17,887
Commodity Supplemental Food Program ²	10.555	¹	<u>116,296</u>
Total Child Nutrition Cluster			649,233
Total U.S. Department of Agriculture			<u><u>649,233</u></u>
U.S. DEPARTMENT OF HEALTH CARE SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	98,871
Total Expenditures of Federal Awards			<u><u>\$ 4,032,224</u></u>

¹ Pass-Through Entity Identifying Number not available.

² Not recorded in the financial statements.

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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>
Roy Rocklin	President	2020
Jeff Moe	Vice President	2020
Rosa Kim	Member	2022
Naomi Nakano-Matsumoto	Member	2022
Bill Wilson	Member	2022
Indali Bora	Student Member	2019

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, 2019**

	Final Report	
	Second Period Report	Annual Report
Ninth Through Twelfth		
Regular classes ADA	10,563.49	10,532.52
Extended year special education	5.27	5.27
Special education, nonpublic, nonsectarian schools	39.14	40.22
Extended year special education, nonpublic, nonsectarian schools	5.59	5.59
Community day school	6.50	7.63
Total Average Daily Attendance (ADA)	<u>10,619.99</u>	<u>10,591.23</u>

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

Grade Level	1986-1987	2018-2019	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	64,821	180	N/A	Complied
Grade 10	64,800	64,821	180	N/A	Complied
Grade 11	64,800	64,941	180	N/A	Complied
Grade 12	64,800	64,808	180	N/A	Complied

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

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 169,006,224	\$ 173,200,431	\$ 153,164,141	\$ 145,037,303
Other sources	1,736,000	-	-	-
Total Revenues and Other Sources	170,742,224	173,200,431	153,164,141	145,037,303
Expenditures	169,156,314	168,003,484	153,773,198	145,996,929
Other uses and transfers out	2,182,220	3,198,655	2,050,315	4,952,721
Total Expenditures and Other Uses	171,338,534	171,202,139	155,823,513	150,949,650
INCREASE (DECREASE)				
IN FUND BALANCE	\$ (596,310)	\$ 1,998,292	\$ (2,659,372)	\$ (5,912,347)
ENDING FUND BALANCE	\$ 30,419,823	\$ 31,016,133	\$ 29,017,841	\$ 31,677,213
AVAILABLE RESERVES ²	\$ 5,373,123	\$ 5,969,433	\$ 5,230,546	\$ 4,672,725
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.14%	3.49%	3.36%	3.10%
LONG-TERM DEBT	\$ 772,843,077	\$ 817,753,837	\$ 649,697,078	\$ 656,807,617
K-12 AVERAGE DAILY ATTENDANCE AT P-2	10,727	10,620	10,732	10,491

The General Fund balance has decreased by \$661,080 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of \$596,310 (2 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 passed a resolution to maintain a minimum available reserve of 10%. During the year, the District has \$5,969,433 (3.49%) designated to economic uncertainties and additional \$12,071,941 (7 %) committed fund balance to comply to its board policies.

The District has incurred operating deficits in the fiscal years 2017 and 2018 but a surplus in the fiscal year 2019 and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$160,946,220 over the past two years.

Average daily attendance has increased by 129 over the past two years. Additional growth of 107 ADA is anticipated during fiscal year 2019-2020.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.

FREMONT UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 1,051,881	\$ 19,130	\$ 7,039,087
Receivables	535,856	131,605	34,697
Due from other funds	-	42,329	250,638
Prepaid expenses	1,348	-	-
Stores inventories	-	24,167	-
Total Assets	\$ 1,589,085	\$ 217,231	\$ 7,324,422
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 53,881	\$ 45,180	\$ -
Due to other funds	181,194	-	-
Unearned revenue	-	147,051	-
Total Liabilities	235,075	192,231	-
Fund Balances:			
Nonspendable	1,348	24,542	-
Restricted	63,079	458	-
Committed	1,289,583	-	7,324,422
Assigned	-	-	-
Total Fund Balances	1,354,010	25,000	7,324,422
Total Liabilities and Fund Balances	\$ 1,589,085	\$ 217,231	\$ 7,324,422

See accompanying note to supplementary information.

Special Reserve Foundation Fund	County School Facilities Fund	Total Non-Major Governmental Funds
\$ 99,147	\$ 6,883,484	\$ 15,092,729
596	38,318	741,072
-	-	292,967
-	-	1,348
-	-	24,167
<u>\$ 99,743</u>	<u>\$ 6,921,802</u>	<u>\$ 16,152,283</u>

\$ -	\$ -	\$ 99,061
-	-	181,194
-	-	147,051
<u>-</u>	<u>-</u>	<u>427,306</u>

-	-	25,890
99,743	6,869,406	7,032,686
-	-	8,614,005
-	52,396	52,396
<u>99,743</u>	<u>6,921,802</u>	<u>15,724,977</u>
<u>\$ 99,743</u>	<u>\$ 6,921,802</u>	<u>\$ 16,152,283</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, 2019**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local control funding formula	\$ -	\$ -	\$ 855,638
Federal sources	399,443	532,937	-
Other State sources	3,203,843	141,439	-
Other local sources	1,110,714	1,406,848	121,926
Total Revenues	4,714,000	2,081,224	977,564
EXPENDITURES			
Current			
Instruction	1,293,999	-	-
Instruction-related activities:			
Supervision of instruction	85,883	-	-
Instructional library, media, and technology	11,872	-	-
School site administration	2,816,878	-	-
Pupil services:			
Food services	-	3,659,333	-
Administration:			
All other administration	180,444	66,802	-
Plant services	320,526	-	105,678
Capital outlay	-	-	171,912
Total Expenditures	4,709,602	3,726,135	277,590
Excess (Deficiency) of Revenues Over Expenditures	4,398	(1,644,911)	699,974
Other Financing Sources (Uses)			
Transfers in	-	1,651,394	-
Net Financing Sources (Uses)	-	1,651,394	-
NET CHANGE IN FUND BALANCES	4,398	6,483	699,974
Fund Balance - Beginning	1,349,612	18,517	6,624,448
Fund Balance - Ending	\$ 1,354,010	\$ 25,000	\$ 7,324,422

See accompanying note to supplementary information.

Special Reserve Foundation Fund	County School Facilities Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 855,638
-	-	932,380
-	6,869,406	10,214,688
2,760	52,396	2,694,644
<u>2,760</u>	<u>6,921,802</u>	<u>14,697,350</u>
10,000	-	1,303,999
-	-	85,883
-	-	11,872
-	-	2,816,878
-	-	3,659,333
-	-	247,246
-	-	426,204
-	-	171,912
<u>10,000</u>	<u>-</u>	<u>8,723,327</u>
<u>(7,240)</u>	<u>6,921,802</u>	<u>5,974,023</u>
-	-	1,651,394
-	-	1,651,394
(7,240)	6,921,802	7,625,417
106,983	-	8,099,560
<u>\$ 99,743</u>	<u>\$ 6,921,802</u>	<u>\$ 15,724,977</u>

FREMONT UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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	\$ 4,827,077
Federal interest subsidy from Build America Bonds Act Commodities	N/A 10.555	 (911,149) 116,296
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,032,224</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 has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 46201.

FREMONT UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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.

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Palo Alto, California
November 22, 2019



**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 the District's major Federal program for the year ended June 30, 2019. The District's major Federal program is 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 the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Eide Bailly LLP

Palo Alto, California
November 22, 2019



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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion

In our opinion, 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, 2019.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
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
Comprehensive School Safety Plan	Yes
District of Choice	No, See Below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
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
CHARTER SCHOOLS	
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 a District of Choice Program; therefore, we did not perform any procedures for the District of Choice 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.

Eide Sully LLP

Palo Alto, California
November 22, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FREMONT UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

Type of auditor's report issued in accordance with Generally Accepted Accounting Principles:	<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>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for all State programs.	<u>Unmodified</u>
---	-------------------

FREMONT UNION HIGH SCHOOL DISTRICT

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

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

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

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

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

None reported.

FREMONT UNION HIGH SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



CPAs & BUSINESS ADVISORS

Governing Board
Fremont Union High School District
Sunnyvale, California

In planning and performing our audit of the financial statements of Fremont Union High School District (the District) for the year ended June 30, 2019, we considered its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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.

However, during our audit, we noted a matter that is an opportunity for strengthening compliance with certain provisions. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 22, 2019, on the government-wide financial statement of the District.

Finding:

In accordance with *Education Code* section 51521, it states, “No person shall solicit any other person to contribute to any fund or to purchase any item of personal property, upon the representation that the money received is to be used wholly or in part for the benefit of any public school or the student body of any public school, unless such person obtains the prior written approval of either the governing board of the school district in which such solicitation is to be made or the governing board of the school district having jurisdiction over the school or student body represented to be benefited by such solicitation, or the designee of either of such boards.”

The District has created several programs to assist its special education students to learn life skills. These programs teach students making products such as snacks, greeting cards, etc. Products created from the programs are sold to the District staff and outside vendors. Profits generated from the program are recorded and tracked in separate local resources.

The sale of these items would be classified as fundraising activities that according to above mentioned *Education Code*, required to be approved by the governing board. We noted some of these programs were not approved by the board.

The programs that do not have governing board approval are as follows:

- Creative Hands – Briders 3 (SACS resource code 9022)
- K-9 Krunchies (SACS resource code 9107)
- PERKS Café (SACS resource code 9108)
- Bridges Cards (SACS resource code 9111)

Total revenues generated from these programs are \$27,340.

Recommendation:

All activities that sales products shall obtain prior written approval from its governing board.

We will review the status of the current year comments during our next audit engagement.

Palo Alto, California
November 22, 2019