Financial Statements
June 30, 2020

Fremont Union High School District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Trustees
Fremont Union High School District
Sunnyvale, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Union High School District (the District) as of and for the year ended June 30, 2020, 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. 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.

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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 Fremont Union High School District, as of June 30, 2020, 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, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of OPEB Investment Returns, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, 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 Fremont Union High School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of 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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2020 on our consideration of Fremont Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fremont Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont Union High School District's internal control over financial reporting and compliance.

Eide Bailly LLP

San Mateo, California
December 1, 2020

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, 2020, with comparative information for the year ended June 30, 2019. 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.

Financial Highlights of the Past Year

A deep economic recession began in March and April after state and local governments shuttered economic activity across the U.S. to mitigate the spread of the pandemic COVID-19 virus. The unemployment rate since the recession began has been dismal and at unprecedented highs. In February 2020, the jobless rate hovered at a historical low of 3.5 percent. The Bureau of Labor Statistic (BLS) reported unemployment for April, May, and June as 14.7 percent, 13.3 percent and 11.1 percent respectively. Nonetheless, the official unemployment rate understates the degree of joblessness. The BLS has admitted to misclassifying some individuals as employed by incorrectly counting those who are still getting paid but not actually showing up for work, probably workers on temporary paid leave. The unemployment rate was actually 19.7 percent in April and 16.3 percent in May.

Overall, the District experienced a small increase in enrollment, as projected. 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 2019-2020 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.

Our Food Services program saw significant changes in reimbursable meals served, due to the COVID Pandemic. The United States Department of Agriculture (USDA) Food and Nutrition Services (FNS) Child Nutrition Programs of California suspended eligibility criteria during the pandemic in order to distribute food to more families in need during the statewide shutdown. Though the District did incur additional expenses in order to ensure the safety of all staff and community members, it greatly increased the daily number of reimbursable meals served.

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. 2019-2020 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 District’s 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.

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.

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.

The District as A Whole

Net Position

The District's net position was $101.94 million for the fiscal year ended June 30, 2020. Of this amount, $77.44 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)

	2019	2020	Change
Current and Other Assets	$ 355.11	$ 300.15	$ (54.96)
Capital Assets	514.29	552.20	37.91
Total assets	869.40	852.35	(17.05)
Deferred Outflow or Resources	69.98	68.37	(1.61)
Current Liabilities	27.09	26.46	(0.63)
Long-Term Liabilities	817.74	783.38	(34.36)
Total liabilities	844.83	809.84	(34.99)
Deferred Inflow or Resources	6.68	8.94	2.26
Net Position			
Net investment in capital assets	87.01	125.18	38.17
Restricted	70.60	54.20	(16.40)
Unrestricted: excluding pension activities	59.20	62.53	3.33
Unrestricted: related to pension activities	(128.94)	(139.97)	(11.03)
Total net position	$ 87.87	$ 101.94	$ 14.07

The $62.53 million and negative $139.97 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 $101.94 million. The total unrestricted deficit amount of $139.97 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 $62.53 million is committed or assigned to various programs of the District.

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 15. 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)

	2019	2020	Change
Revenues			
Program revenues			
Charges for services	$ 0.01	$ 0.80	$ 0.79
Operating grants and contributions	36.54	27.29	(9.25)
Federal and state sources	10.05	7.80	(2.25)
Property taxes	180.26	193.69	13.43
Other general revenue	3.45	10.83	7.38
Total revenues	230.31	240.41	10.10
Expenses			
Instruction	116.31	123.53	7.22
Instruction-related services	31.41	32.41	1.00
Pupil services	22.85	22.21	(0.64)
General administration	10.03	9.91	(0.12)
Plant services	14.47	16.47	2.00
Ancillary services	0.48	0.44	(0.04)
Community services	0.01	0.01	-
Interest on long-term debt	17.46	21.30	3.84
Other outgo	0.05	0.05	-
Total expenditures	213.07	226.33	13.26
Net Change In Net Position	$ 17.24	$ 14.08	$ (3.16)

Governmental Activities

As reported in the *Statement of Activities* on page 15. The cost of all governmental activities this year was $226.33 million. However, the amount that the taxpayers ultimately financed for these activities through local taxes was $193.69 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 ($27.29 million). The District paid for the remaining "public benefit" portion of our governmental activities with $19.43 million in state revenue limit sources, state funds and with other revenues, such as interest and general entitlements.

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)

	2019	2020	Change
Instruction	$ 95.36	$ 106.53	$ 11.17
Instruction-related services			
Supervision of instruction	7.17	7.43	0.26
Instructional library, media and technology	3.01	3.15	0.14
School administration	18.43	18.69	0.26
Pupil Services			
Home-to-school transportation	2.54	2.64	0.10
Food services	3.43	2.35	(1.08)
All other pupil services	14.01	13.88	(0.13)
General Administration			
Data processing	0.52	0.53	0.01
All other general administration	8.71	8.64	(0.07)
Plant Services	14.11	16.31	2.20
Ancillary Services	0.46	0.43	(0.03)
Community Services	0.01	0.01	-
Interest on Long-Term Debt	17.46	21.30	3.84
Other Outgo	(8.71)	(3.65)	5.06
Total net cost	$ 176.51	$ 198.24	$ 21.73

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).

The District's Funds

As the District completed this year, governmental funds had a reported combined fund balance of $280.23 million, which is a decrease of $53.86 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 $31.02 million to $32.85 million. This was primarily due to property taxes increasing by 6.12%.
b) The Building Fund showed a decrease from $225.74 million to $183.88 million. This was primarily due to the activities on the construction funded by Measure K and CC bonds.
c) The Bond Interest and Redemption Fund decreased from $54.08 million to $33.45 million. This was primarily due to a decrease in funds set aside for future debt redemption associated with the new bond sale.

General Fund Budgetary Highlights

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

Significant revenue and expenditure revisions to the 2019-2020 budgets were made. This is primarily due to property tax increases, salary increases and school site carryover from 2018-2019 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 11, 2019. (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 73).

- Significant revenue revisions made to the 2019-2020 budget were due to a STRS and PERS on-behalf rate increase.
- Significant expenditure revisions made to the 2019-2020 budget were due to the bargaining settlement reached during 2019-2020: 3.042% increased for FEA, 2.948% for CSEA, and 2.915% for FMA (Fremont Management Association).
- Significant expenditure revisions made to the 2019-2020 books, supplies and contracted services budget were due to carryovers of departments and school sites to be budgeted in 2020-2021 fiscal year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the District had $552.21 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 $37.91 million from last year.

Table 4

(Amounts in millions)

	Governmental Activities		
	2019	2020	Change
Land	$ 1.96	$ 1.96	$ -
Construction in Progress	69.91	57.91	(12.00)
Buildings and Improvements	532.06	593.16	61.10
Furniture and Equipment	10.91	12.85	1.94
Total assets	614.84	665.88	51.04
Less accumulated depreciation	(100.54)	(113.67)	(13.13)
Totals	$ 514.30	$ 552.21	$ 37.91

This year's additions included school modernization of $49.10 million, and equipment of $1.94 million. In 2019-20, 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 2020-2021 year. More information about our capital assets is presented in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had $783.39 million in long-term liabilities outstanding versus $817.75 million last year, a decrease of 4.20%.

Table 5

(Amounts in millions)

	Governmental Activities		
	2019	2020	Change
General Obligation Bonds and Premiums	$ 616.74	$ 572.83	$ (43.91)
Compensated Absences	1.53	1.73	0.20
Sub-total	618.27	574.56	(43.71)
Net Pension Liabilities	173.48	176.21	2.73
Net Postemployment Benefit Liabilities	26.00	32.61	6.61
Totals	$ 817.75	$ 783.39	$ (34.37)

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 $572.83 million is below this limit. Other liabilities include compensated absences payable. More detailed information is presented in Note 10 of the financial statements.

The District has an estimated liability of $32.61 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 net position of $9.53 million at June 30, 2020. 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 liabilities 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 2020-2021 Budget

District Administration is projecting that its financial position will improve for the 2020-2021 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.

	Governmental Activities
Assets	
Deposits and investments	$ 292,567,305
Receivables	6,846,352
Prepaid items	688,363
Stores inventories	47,415
Capital assets not depreciated	59,870,755
Capital assets, net of accumulated depreciation	492,342,967
Total assets	852,363,157
Deferred Outflows of Resources	
Deferred charge on refunding	12,476,054
Deferred outflows of resources related to OPEB	10,706,650
Deferred outflows of resources related to pensions	45,185,041
Total deferred outflows of resources	68,367,745
Liabilities	
Accounts payable	16,692,014
Interest payable	9,340,640
Unearned revenue	305,402
Claim liabilities	125,369
Long-term liabilities	
Long-term liabilities other than OPEB and pensions	
Due within one year	21,205,660
Due in more than one year	553,357,445
Net other postemployment benefits (OPEB) liabilities	32,611,059
Aggregage net pension liabilities	176,211,897
Total liabilities	809,849,486
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	8,939,388
Net Position	
Net investment in capital assets	125,180,972
Restricted for	
Debt service	21,465,191
Self insurance	2,799,147
Capital projects	19,444,615
Educational programs	10,439,680
Food programs	50,093
Unrestricted	(77,437,670)
Total net position	$ 101,942,028

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 123,536,527	$ 22,635	$ 16,984,530	$ (106,529,362)
Instruction-related activities				
Supervision of instruction	8,419,188	1,821	992,345	(7,425,022)
Instructional library, media, and technology	3,390,820	94	243,477	(3,147,249)
School site administration	20,609,700	95	1,921,978	(18,687,627)
Pupil services				
Home-to-school transportation	2,639,135	-	-	(2,639,135)
Food services	3,793,500	-	1,442,326	(2,351,174)
All other pupil services	15,772,960	-	1,888,442	(13,884,518)
Administration				
Data processing	609,943	47	80,582	(529,314)
All other administration	9,301,328	598	657,579	(8,643,151)
Plant services	16,473,136	309	162,737	(16,310,090)
Ancillary services	442,661	-	12,212	(430,449)
Community services	8,826	-	-	(8,826)
Interest on long-term liabilities	21,300,234	-	-	(21,300,234)
Other education agency	38,381	773,029	2,908,649	3,643,297
Total governmental activities	$ 226,336,339	$ 798,628	$ 27,294,857	(198,242,854)
General Revenues and Subventions				
Property taxes, levied for general purposes				147,822,133
Property taxes, levied for debt service				40,466,573
Taxes levied for other specific purposes				5,392,588
Federal and State aid not restricted to specific purposes				7,802,185
Interest and investment earnings				1,856,922
Interagency revenues				4,881
Miscellaneous				8,973,048
Total general revenues and transfers				212,318,330
Change in Net Position				14,075,476
Net Position - Beginning				87,866,552
Net Position - Ending				$ 101,942,028

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 32,699,296	$ 195,146,656	$ 33,371,815	$ 29,906,060	$ 291,123,827
Receivables	5,144,012	934,982	73,671	688,957	6,841,622
Due from other funds	1,268,663	-	-	-	1,268,663
Prepaid expenditures	61,803	-	-	1,166	62,969
Stores inventories	-	-	-	47,415	47,415
Total assets	$ 39,173,774	$ 196,081,638	$ 33,445,486	$ 30,643,598	$ 299,344,496
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 5,453,898	$ 11,087,961	$ -	$ 150,155	$ 16,692,014
Due to other funds	850,914	1,038,254	-	230,409	2,119,577
Unearned revenue	23,770	78,260	-	203,372	305,402
Total liabilities	6,328,582	12,204,475	-	583,936	19,116,993
Fund Balances					
Nonspendable	66,661	-	-	48,956	115,617
Restricted	10,288,429	130,686,636	33,445,486	19,597,003	194,017,554
Committed	12,159,528	-	-	10,076,017	22,235,545
Assigned	3,871,904	53,190,527	-	337,686	57,400,117
Unassigned	6,458,670	-	-	-	6,458,670
Total fund balances	32,845,192	183,877,163	33,445,486	30,059,662	280,227,503
Total liabilities and fund balances	$ 39,173,774	$ 196,081,638	$ 33,445,486	$ 30,643,598	$ 299,344,496

Total Fund Balance - Governmental Funds		$ 280,227,503
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	$ 665,882,408	
Accumulated depreciation is	(113,668,686)	
Net capital assets		552,213,722
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(9,340,640)
An internal service fund is used by 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.		2,799,147
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	12,476,054	
Other postemployment benefits	10,706,650	
Net pension obligation	45,185,041	
Total deferred outflows of resources		68,367,745
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net pension obligation	(8,939,388)	
Total deferred inflows of resources		(8,939,388)
Expenditures relating to prepaid insurance on bond issuances were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis. The balance to amortize is reported on the Statement of Net Position as deferred charges.		
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(176,211,897)

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(32,611,059)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds, including premiums	(570,465,440)	
Compensated absences (vacations)	(1,728,010)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(2,369,655)	
Total long-term liabilities		(574,563,105)
Total net position - governmental activities		$ 101,942,028

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues			
Local control funding formula	$ 148,536,071	$ -	$ -
Federal sources	2,901,841	-	867,448
Other State sources	13,229,148	26,975	115,624
Other local sources	9,536,906	10,926,691	41,032,569
Total revenues	174,203,966	10,953,666	42,015,641
Expenditures			
Current			
Instruction	106,122,278	-	-
Instruction-related activities			
Supervision of instruction	7,332,583	-	-
Instructional library, media, and technology	2,792,223	-	-
School site administration	15,185,297	-	-
Pupil services			
Home-to-school transportation	1,630,839	-	-
Food services	890	-	-
All other pupil services	14,393,818	-	-
Administration			
Data processing	544,327	-	-
All other administration	9,041,786	-	-
Plant services	12,852,694	602,445	-
Ancillary services	392,302	-	-
Community services	8,156	-	-
Other outgo	38,381	-	-
Facility acquisition and construction	365,647	51,527,721	-
Debt service			
Principal	-	-	41,695,000
Interest and other	-	-	20,957,694
Total expenditures	170,701,221	52,130,166	62,652,694
Excess (Deficiency) of Revenues Over Expenditures	3,502,745	(41,176,500)	(20,637,053)
Other Financing Sources (Uses)			
Transfers in	683,157	-	-
Transfers out	(2,356,843)	(683,157)	-
Net Financing Sources (Uses)	(1,673,686)	(683,157)	-
Net Change in Fund Balances	1,829,059	(41,859,657)	(20,637,053)
Fund Balance - Beginning	31,016,133	225,736,820	54,082,539
Fund Balance - Ending	$ 32,845,192	$ 183,877,163	$ 33,445,486

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	$ 1,567,387	$ 150,103,458
Federal sources	1,243,255	5,012,544
Other State sources	6,599,393	19,971,140
Other local sources	4,296,046	65,792,212
Total revenues	13,706,081	240,879,354
Expenditures		
Current		
Instruction	1,194,001	107,316,279
Instruction-related activities		
Supervision of instruction	113,428	7,446,011
Instructional library, media, and technology	8,178	2,800,401
School site administration	2,637,400	17,822,697
Pupil services		
Home-to-school transportation	-	1,630,839
Food services	3,374,078	3,374,968
All other pupil services	128,688	14,522,506
Administration		
Data processing	-	544,327
All other administration	285,776	9,327,562
Plant services	454,641	13,909,780
Ancillary services	-	392,302
Community services	-	8,156
Other outgo	-	38,381
Facility acquisition and construction	-	51,893,368
Debt service		
Principal	-	41,695,000
Interest and other	-	20,957,694
Total expenditures	8,196,190	293,680,271
Excess (Deficiency) of Revenues Over Expenditures	5,509,891	(52,800,917)
Other Financing Sources (Uses)		
Transfers in	1,298,343	1,981,500
Transfers out	-	(3,040,000)
Net Financing Sources (Uses)	1,298,343	(1,058,500)
Net Change in Fund Balances	6,808,234	(53,859,417)
Fund Balance - Beginning	23,251,428	334,086,920
Fund Balance - Ending	$ 30,059,662	$ 280,227,503

Total Net Change in Fund Balances - Governmental Funds		$ (53,859,417)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (13,125,920)	
Capital outlays	51,035,845	
Net expense adjustment		37,909,925
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(424,659)
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). This amount is the difference between vacation earned and used.		(199,359)
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.		(11,027,441)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB 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.		(1,577,183)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		2,638,909
Deferred amount on refunding amortization		(605,923)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		41,695,000
Interest on long-term liabilities 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 accretes or accrues, regardless of when it is due.		(1,950,867)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		1,476,491
Change in net position of governmental activities	$	14,075,476

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 1,443,478
Receivables	4,730
Due from other funds	850,914
Prepaid expenses	625,394
Total assets	2,924,516
Liabilities	
Noncurrent liabilities	
Claims liabilities	125,369
Net Position	
Restricted for insurance programs	$ 2,799,147

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	$ 2,600,101
Operating Expenses	
Other operating cost	2,200,246
Operating Income	399,855
Nonoperating Revenues	
Interest income	18,136
Income before capital contributions and transfers	417,991
Transfers in	1,058,500
Change in Net Position	1,476,491
Total Net Position - Beginning	1,322,656
Total Net Position - Ending	$ 2,799,147

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts from customers	$ 1,915,726
Cash payments for insurance claims	(2,628,235)
Net Cash Used for Operating Activities	(712,509)
Noncapital Financing Activities	
Cash received from assessments made to other funds	1,058,500
Investing Activities	
Interest on investments	19,640
Net Change in Cash and Cash Equivalents	365,631
Cash and Cash Equivalents, Beginning	1,077,847
Cash and Cash Equivalents, Ending	$ 1,443,478
Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities	
Operating income (loss)	$ 399,855
Changes in assets and liabilities	
Due from other fund	(659,375)
Prepaid expenses	(412,632)
Accrued liabilities	(15,357)
Unearned revenue	(25,000)
Net Cash From Operating Activities	$ (712,509)

	Retiree Benefits Trust	Agency Funds
Assets		
Deposits and investments	$ 7,575,339	$ 2,227,939
Receivables	1,925,403	-
Prepaid expenses	25,816	-
Total assets	9,526,558	$ 2,227,939
Liabilities		
Accounts payable	84	-
Due to student groups	-	$ 2,227,939
Total liabilities	84	$ 2,227,939
Net Position		
Restricted for postemployment benefits other than pensions	9,526,474	
Total net position	$ 9,526,474	

	Retiree Benefits Trust
Additions	
Employer contributions	$ 3,652,613
Investment income	142,315
Total additions	3,794,928
Deductions	
Benefit payments	1,677,141
Change in Net Position	2,117,787
Net Position - Beginning	7,408,687
Net Position - Ending	$ 9,526,474

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Fremont Union High School District was organized in 1925 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 9-12 as mandated by the State and Federal agencies. The District operates five high schools, one alternative high school, one adult, and one independent study school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Fremont Union High School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

- **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).

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.).

- **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).

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.

- **Foundation Fund** The Foundation Fund is used to account for resources received from gifts that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

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.

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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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 entity-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, 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)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

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 Liabilities

All payables, accrued liabilities, and long-term liabilities 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 liabilities 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 liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities 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, which approximates the effective interest method.

In governmental fund financial statements, debt premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net 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 deferred charges on refunding of debt, for pension related items, and for OPEB 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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund. The District has a defined benefit plan that is administered through a trust that meets the criteria of paragraph 3 of GASB Statement No. 74. More detailed information is discussed in Note 15 of the financial statements.

Fund Balances – Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

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

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, 2020, 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 deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

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

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental column of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations.
- Statement No. 84, Fiduciary Activities.
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.
- Statement No. 90, Majority Equity Interests.
- Statement No. 91, Conduit Debt Obligations.
- Statement No. 92, Omnibus 2020.
- Statement No. 93, Replacement of Interbank Offered Rates.
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018.
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019.
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases.
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019 due to the implementation of GASB Statements No. 95 previously discussed. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

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 effects of this change on the District's financial statements have not yet been determined.

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.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 291,123,827
Proprietary funds	1,443,478
Fiduciary funds	9,803,278
Total deposits and investments	$ 302,370,583

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 2,081,166
Cash in revolving	16,276
Investments	300,273,141
Total deposits and investments	$ 302,370,583

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, liabilities with first priority security; and collateralized mortgage liabilities.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with Security Exchange Commission.

General Authorizations

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

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

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	Reported Amount	Average Maturity in Days
Retiree Benefit Trust Fund - Mutual Funds	$ 7,547,850	Not applicable
Certificates of Deposits	291,049	200
County Pool	292,434,242	517
Total	$ 300,273,141	

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.

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, 2020, approximately $863,807 of the District's bank balances of $2,299,029 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 $7,547,850 the District has a custodial credit risk exposure of $7,457,850 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 Santa Clara 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. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

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, 2020:

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

Investment Type	Reported Amount	Fair Value Measurements Using Level 1 Inputs	Uncategorized
Retiree Benefit Trust Fund - Mutual Funds	$ 7,547,850	$ 7,547,850	$ -
Certificates of Deposits	291,049	291,049	-
County Pool	292,434,242	-	292,434,242
Total	$ 300,273,141	$ 7,838,899	$ 292,434,242

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Fiduciary Funds
Federal Government							
Categorical aid	$ 2,190,986	$ -	$ -	$ 190,449	$ 2,381,435	$ -	$ -
State Government							
LCFF apportionment	665,053	-	-	-	665,053	-	-
Categorical aid	601,727	-	-	250,817	852,544	-	-
Lottery	554,096	-	-	-	554,096	-	-
Local Government							
Interest	162,491	819,903	73,671	116,170	1,172,235	4,067	-
Other local sources	969,659	115,079	-	19,894	1,104,632	663	1,925,403
Total	$ 5,144,012	$934,982	$ 73,671	$ 688,957	$ 6,841,622	$ 4,730	$ 1,925,403

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,958,025	$ -	$ -	$ 1,958,025
Construction in progress	69,907,091	49,099,769	(61,094,130)	57,912,730
Total capital assets not being depreciated	71,865,116	49,099,769	(61,094,130)	59,870,755
Capital assets being depreciated				
Buildings and improvements	532,067,269	61,094,130	-	593,161,399
Furniture and equipment	10,914,178	1,936,076	-	12,850,254
Total capital assets being depreciated	542,981,447	63,030,206	-	606,011,653
Total capital assets	614,846,563	112,129,975	(61,094,130)	665,882,408
Accumulated depreciation				
Buildings and improvements	(95,508,213)	(12,281,891)	-	(107,790,104)
Furniture and equipment	(5,034,553)	(844,029)	-	(5,878,582)
Total accumulated depreciation	(100,542,766)	(13,125,920)	-	(113,668,686)
Governmental activities capital assets, net	$ 514,303,797	$ 99,004,055	$ (61,094,130)	$ 552,213,722

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

Governmental Activities	
Instruction	$ 7,865,202
Supervision of instruction	545,718
Instructional library, media, and technology	205,241
School site administration	1,306,224
Home-to-school transportation	119,524
Food services	247,351
All other pupil services	1,064,353
Data processing	39,894
All other administration	684,214
Plant services	1,019,447
Ancillary services	28,752
Total depreciation expenses governmental activities	$ 13,125,920

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, 2020, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From		
Due To	General Fund	Proprietary Funds	Total
General Fund	$ -	$ 850,914	$ 850,914
Building Fund	1,038,254	-	1,038,254
Non-Major Governmental Funds	230,409	-	230,409
Total	$ 1,268,663	$ 850,914	$ 2,119,577

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, 2020, consisted of the following:

	Transfer From			
Transfer To	General Fund	Non-Major Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ 1,298,343	$ 1,058,500	$ 2,356,843
Building Fund	683,157	-	-	683,157
Total	$ 683,157	$ 1,298,343	$ 1,058,500	$ 3,040,000

The General Fund transferred to the Self-insurance Fund to support the programs.	$ 1,058,500
The General Fund transferred to the Cafeteria Non-Major Governemtal Fund to cover deficit spending.	1,298,343
The Building Fund transferred to the General Fund for the District-wide Technology Fund.	683,157
Total	$ 3,040,000

Note 7 - Deferred Charge on Refunding

Deferred outflows of resources are 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 $125,180,972 includes the effect of deferring the recognition of loss from advance refunding. The $12,476,054 balance of the deferred outflows of resources at June 30, 2020, 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, 2020, consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Deferred charges on refunding	$ 13,081,977	$ -	$ 605,923	$ 12,476,054

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Funds
Vendor payables	$ 2,426,046	$ 11,078,474	$ 94,871	$ 13,599,391	$ 84
State Categorical	-	-	3,001	3,001	-
Salaries and benefits	1,103,436	9,487	52,283	1,165,206	-
Other	1,924,416	-	-	1,924,416	-
Total	$ 5,453,898	$ 11,087,961	$ 150,155	$ 16,692,014	$ 84

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Other Local	$ 23,770	$ 78,260	$ 203,372	$ 305,402

Note 10 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 564,425,085	$ 424,659	$ (41,695,000)	$ 523,154,744	$ 19,530,000
Unamortized premiums	52,319,260	-	(2,638,909)	49,680,351	1,675,660
Compensated absences	1,528,651	199,359	-	1,728,010	-
Total	$ 618,272,996	$ 624,018	$ (44,333,909)	$ 574,563,105	$ 21,205,660

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:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
3/10/2011	8/1/2040	6.87-12.00%	$ 16,090,108	$ 3,935,085	$ 424,659	$ -	$ 4,359,744
3/10/2011	2/1/2026	5.45-6.08%	25,000,000	17,565,000	-	(805,000)	16,760,000
1/29/2013	8/1/2044	3.00-5.00%	48,000,000	48,000,000	-	-	48,000,000
4/8/2015	8/1/2044	3.00-5.00%	100,000,000	82,000,000	-	-	82,000,000
5/14/2015	8/1/2040	2.00-5.00%	156,115,000	128,645,000	-	(10,300,000)	118,345,000
6/20/2017	8/1/2046	2.00-5.00%	68,830,000	68,830,000	-	-	68,830,000
6/20/2017	8/1/2030	3.00-4.00%	31,170,000	22,225,000	-	(8,845,000)	13,380,000
6/20/2017	8/1/2044	2.00-5.00%	44,250,000	43,225,000	-	(2,025,000)	41,200,000
5/15/2019	8/1/2046	3.00-5.00%	100,280,000	100,280,000	-	-	100,280,000
5/15/2019	8/1/2034	5.00%	30,000,000	30,000,000	-	-	30,000,000
5/15/2019	8/1/2019	2.33%	19,720,000	19,720,000	-	(19,720,000)	-
				$564,425,085	$ 424,659	$ (41,695,000)	$523,154,744

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2021	$ -	$ -	$ -	$ -	$ -
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026-2030	1,018,352	1,983,131	3,001,483	4,403,517	7,405,000
2031-2035	701,737	656,524	1,358,261	1,426,739	2,785,000
Total	$ 1,720,089	$ 2,639,655	$ 4,359,744	$ 5,830,256	$ 10,190,000

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	11,730,000	18,837,999	30,567,999
2026-2030	50,310,000	85,916,227	136,226,227
2031-2035	81,480,000	71,844,035	153,324,035
2036-2040	116,075,000	51,077,021	167,152,021
2041-2045	139,920,000	23,787,370	163,707,370
2046-2050	49,490,000	1,413,300	50,903,300
Total	$ 518,795,000	$ 335,332,496	$ 854,127,496

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $1,728,010.

Note 11 - Fund Balances

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 15,003	$ -	$ -	$ 375	$ 15,378
Stores inventories	-	-	-	47,415	47,415
Prepaid expenditures	51,658	-	-	1,166	52,824
Total nonspendable	66,661	-	-	48,956	115,617
Restricted					
Legally restricted programs	10,288,429	-	-	150,085	10,438,514
Food service	-	-	-	2,303	2,303
Capital projects	-	130,686,636	-	19,444,615	150,131,251
Debt services	-	-	33,445,486	-	33,445,486
Total restricted	10,288,429	130,686,636	33,445,486	19,597,003	194,017,554
Committed					
Education programs	12,159,528	-	-	1,103,757	13,263,285
Deferred maintenance	-	-	-	8,972,260	8,972,260
Total committed	12,159,528	-	-	10,076,017	22,235,545
Assigned					
Textbooks	274,702	-	-	-	274,702
Sites abatement carryover	572,395	-	-	-	572,395
Sites carryover	750,548	-	-	-	750,548
sites El Budget carryover	14,188	-	-	-	14,188
Sit intervention & Peer tutorial	134,406	-	-	-	134,406
EPA/Prop. 55	2,125,665	-	-	-	2,125,665
Construction projects	-	53,190,527	-	337,686	53,528,213
Total assigned	3,871,904	53,190,527	-	337,686	57,400,117
Unassigned					
Reserve for economic uncertainties	5,211,226	-	-	-	5,211,226
Remaining unassigned	1,247,444	-	-	-	1,247,444
Total unassigned	6,458,670	-	-	-	6,458,670
Total	$ 32,845,192	$183,877,163	$ 33,445,486	$ 30,059,662	$280,227,503

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
2021	$ 3,792,398
2022	4,626,700
2023	4,765,501
2024	4,908,466
2025	5,055,720
2025-2029	27,646,747
2030-2034	26,133,768
2035-2039	20,739,234
2040-2042	9,192,869
Total	$ 106,861,403

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, 2020, 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 2020, 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.

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, 2018 to June 30, 2020:

	Workers' Compensation	Dental	Vision	Property and Liability	Total
Liability Balance, July 1, 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	$ 33,959	$ 71,630	$ 9,010	$ 26,127	$ 140,726
Claims and changes in estimates	(14,776)	(1,127,628)	(149,555)	(890,071)	(2,182,030)
Claims payments	13,817	1,112,889	150,635	889,332	2,166,673
Liability Balance, June 30, 2020	$ 33,000	$ 56,891	$ 10,090	$ 25,388	$ 125,369
Assets available to pay claims at June 30, 2020	$ 209,873	$ 1,542,268	$ 232,587	$ 939,789	$ 2,924,517

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, 2020 the District reported its proportionate share of 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	$ 111,328,981	$ 30,487,372	$ 8,193,849	$ 14,222,118
CalPERS	64,882,916	14,697,669	745,539	11,592,008
Total	$ 176,211,897	$ 45,185,041	$ 8,939,388	$ 25,814,126

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, 2018, 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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, 2020, are presented above and the District's total contributions were $11,989,290.

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

At June 30, 2020, 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:

Proportionate share of net pension liability	$ 111,328,981
State's proportionate share of the net pension liability	60,737,392
Total	$ 172,066,373

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.1233 percent and 0.1239 percent, resulting in a net decrease in the proportionate share of 0.0006 percent.

For the year ended June 30, 2020, the District recognized pension expense of $14,222,118. In addition, the District recognized pension expense and revenue of $9,045,107 for support provided by the State. At June 30, 2020, 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	$ 11,989,290	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,136,352	768,301
Differences between projected and actual earnings on pension plan investments	-	4,288,426
Differences between expected and actual experience in the measurement of the total pension liability	281,047	3,137,122
Changes of assumptions	14,080,683	-
Total	$ 30,487,372	$ 8,193,849

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/(Inflows) of Resources
2021	$ (432,561)
2022	(3,404,506)
2023	(706,828)
2024	255,469
Total	$ (4,288,426)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 Outflows/(Inflows) of Resources
2021	$ 3,657,597
2022	3,657,599
2023	3,584,795
2024	3,760,925
2025	299,204
Thereafter	(367,461)
Total	$ 14,592,659

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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%

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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

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.

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 (6.10%)	$ 165,778,068
Current discount rate (7.10%)	111,328,981
1% increase (8.10%)	66,180,319

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, 2018 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. The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after 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	19.721%	19.721%

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, 2020, are presented above and the total District contributions were $6,343,937.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $64,882,916. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively, was percent 0.2226 and 0.2236 percent, resulting in a net decrease in the proportionate share of 0.0010 percent.

For the year ended June 30, 2020, the District recognized pension expense of $11,592,008. At June 30, 2020, 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	$ 6,343,937	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	551,999	143,737
Differences between projected and actual earnings on pension plan investments	-	601,802
Differences between expected and actual experience in the measurement of the total pension liability	4,713,104	-
Changes of assumptions	3,088,629	-
Total	$ 14,697,669	$ 745,539

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
2021	$ 594,044
2022	(1,186,584)
2023	(179,813)
2024	170,551
Total	$ (601,802)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 5,155,695
2022	2,269,813
2023	713,168
2024	71,319
Total	$ 8,209,995

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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%

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%)	$ 93,524,457
Current discount rate (7.15%)	64,882,916
1% increase (8.15%)	41,122,779

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 $9,045,107, $6,016,442, and $5,242,506, for fiscal years ending June 30, 2020, 2019 and 2018, respectively (10.328, 9.328 and 8.828 percent of 2019-2020, 2018-2019 and 2017-2018 annual payroll, respectively). 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 an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has 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*.

Note 15 - Other Postemployment Benefits (OPEB) Obligation

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
The District OPEB Plan	$ 32,611,059	$ 10,706,650	$ -	$ 5,229,795

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, 2020, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	154
Active employees	996
Total	1,150

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 2019-2020, the District contributed $3,652,612 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 $4,766, $2,333 and $2,258 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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.20 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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income Securities	100%	2.20%

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

Changes in the Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, 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	Fiduciary Net	Net OPEB Liability
Total OPEB Liability			
Balance at June 30, 2018	$ 33,409,933	$ 7,407,664	$ 26,002,269
Changes recognized for the year:			
Service cost	3,652,614	-	3,652,614
Interest on total OPEB liability	759,492	-	759,492
Change in assumption	5,740,133	-	5,740,133
Difference between expected and actual	249,349	-	249,349
Employer contributions	-	3,652,612	(3,652,612)
Difference between expected and actual	-	140,186	(140,186)
Benefit payments	(1,673,988)	(1,673,988)	-
Net change	8,727,600	2,118,810	6,608,790
Balance at June 30, 2019	$ 42,137,533	$ 9,526,474	$ 32,611,059

The components of the net OPEB liability of the District as June 30, 2020, were as follows:

Total OPEB liability	$ 42,137,533
Plan fiduciary net position	(9,526,474)
Net OPEB liability	$ 32,611,059
Plan fiduciary net position as a percentage of the total OPEB liability	22.61%

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

For the year ended June 30, 2020, the District recognized OPEB expense of $5,229,795. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	$ 280,623	$ -
Differences between expected and actual experience	3,054,009	-
Changes of assumptions	7,372,018	-
Total	$ 10,706,650	$ -

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/(Inflows) of Resources
2021	$ 1,048,564
2022	1,048,564
2023	1,007,320
2024	965,458
2025	947,321
Thereafter	5,689,423
Total	$ 10,706,650

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, average, including inflation
Discount rate	2.20	percent
Healthcare cost trend rates	4.00	percent for 2020

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, 2020 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 2.20 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.2 percent) or 1-percentage-point higher (3.2 percent) than the current discount rate:

Discount Rate	Net OPEB Liability
1% decrease (1.20%)	$ 37,677,115
Current discount rate (2.20%)	32,611,059
1% increase (3.20%)	28,489,033

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:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 28,533,607
Current healthcare cost trend rate (4.00%)	32,611,059
1% increase (5.00%)	37,263,336

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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Expected Date of Completion	Commitment
CHS Classroom Modernization Bldg 500/Science Roof	10/01/20	$ 211,179
CHS Field Improvements	12/21/20	23,115
CHS Science Building Roofing	10/01/20	383,352
DO/Adult Ed Bldg	12/31/21	3,586,328
FHS Athletic Field Improvements	TBD	27,455
FHS Classroom Modernization Original Building	12/31/20	15,426
FHS GSS and Classroom Building	01/01/19	3,833,433
FHS Main Builiding Modernization	12/31/20	1,797,500
HHS A Building Remodel	07/01/21	19,750
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	08/01/19	2,701,004
HHS Seismic Upgrades	TBD	3,230,000
HHS Temporary Housing	TBD	181,978
LHS Athletic Field Improvements	TBD	37,895
LHS GSS Building	12/15/21	1,219,653
LHS Gym Lobby	11/01/20	45,273
LHS New Cafeteria and Main Quad	08/01/19	7,791,000
MVHS Building A and C	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 Modernization	02/01/19	751,244
New Ed Options	09/15/19	6,112,233
		$ 37,684,900

Note 17 - Participation in Public Entity Risk Pools and Joint Power Authorities

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

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

The District has appointed one board member to the Governing Board of SVJPA, SCCSIG, and North CalReLiEF. During the year ended June 30, 2020, the District made payments as follows:

Related Entities	Service Payments	Service Provided
SVJPA	$ 1,991,076	Transportation for special education students
SCCSIG	1,235,995	Excess workers' compensation insurance
North CalReLiEF	854,772	Property and liability insurance

Required Supplementary Information
June 30, 2020

Fremont Union High School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$146,917,514	$148,900,082	$148,536,071	$ (364,011)
Federal sources	3,044,482	2,986,331	2,901,841	(84,490)
Other State sources [1]	10,352,154	13,105,342	13,229,148	123,806
Other local sources	8,692,074	8,604,457	9,536,906	932,449
Total revenues	169,006,224	173,596,212	174,203,966	607,754
Expenditures				
Current				
Certificated salaries	72,329,057	72,899,288	72,198,457	700,831
Classified salaries	26,188,139	26,849,037	26,625,971	223,066
Employee benefits [1]	44,453,104	47,450,444	48,740,868	(1,290,425)
Books and supplies	5,781,659	7,698,324	5,564,507	2,133,817
Services and operating expenditures	20,094,834	19,611,305	17,460,193	2,151,112
Other outgo	(273,128)	(203,050)	(219,692)	16,642
Capital outlay	582,650	643,211	330,917	312,294
Total expenditures	169,156,314	174,948,558	170,701,221	4,247,337
Excess (Deficiency) of Revenues Over Expenditures	(150,090)	(1,352,346)	3,502,745	4,855,091
Other Financing Sources (Uses)				
Transfers in	1,736,000	1,410,425	683,157	(727,268)
Transfers out	(2,182,220)	(2,268,751)	(2,356,843)	(88,092)
Net financing sources (uses)	(446,220)	(858,326)	(1,673,686)	(815,360)
Net Change in Fund Balances	(596,310)	(2,210,672)	1,829,059	4,039,731
Fund balance - Beginning	31,016,133	31,016,133	31,016,133	-
Fund Balance - Ending	$ 30,419,823	$ 28,805,461	$ 32,845,192	$ 4,039,731

[1] Budgeted amounts do not include state on-behalf payment related to Senate Bill 90.

MEASUREMENT DATE, JUNE 30,	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 3,652,614	$ 2,559,702	$ 2,491,194	$ 2,424,520
Interest on total OPEB liability	759,492	1,132,980	1,021,333	917,585
Difference between expected and actual benefit payments	249,349	753,398	-	-
Differences between expected and actual experience	-	2,609,231	-	-
Changes of assumptions	5,740,133	2,489,400	-	-
Benefit payments	(1,673,988)	(1,653,178)	(1,000,905)	(991,200)
Net changes in total OPEB liability	8,727,600	7,891,533	2,511,622	2,350,905
Total OPEB Liability - beginning	33,409,933	25,518,400	23,006,778	20,655,873
Total OPEB Liability - ending (a)	42,137,533	33,409,933	25,518,400	23,006,778
Plan Fiduciary Net Position				
Contributions - employer	3,652,612	1,653,178	1,000,905	962,409
Net investment income	140,186	104,719	103,361	116,073
Benefit payments	(1,673,988)	(1,653,178)	(1,000,905)	(991,200)
Net change in plan fiduciary net position	2,118,810	104,719	103,361	87,282
Plan fiduciary net position - beginning	7,407,664	7,302,945	7,199,584	7,112,302
Plan fiduciary net position - ending (b)	9,526,474	7,407,664	7,302,945	7,199,584
District's net OPEB liability - ending (a) - (b)	$ 32,611,059	$ 26,002,269	$ 18,215,455	$ 15,807,194
Plan fiduciary net position as a percentage of the total OPEB liability	22.61%	22.17%	28.62%	31.29%
Covered payroll	$ 102,281,242	$ 98,575,729	$ 92,035,344	$ 91,832,884
District's net OPEB liability as a as a percentage of covered - payroll	31.88%	26.38%	19.79%	17.21%

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

	2020	2019	2018	2017
Annual money weighted rate of net of investment expense	2.20%	3.50%	4.30%	4.30%

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.1233%	0.1239%	0.1178%	0.1190%	0.1187%	0.1157%
Proportionate share of the net pension liability	$ 111,328,981	$ 113,856,062	$ 108,971,315	$ 96,257,466	$ 79,891,779	$ 67,631,744
State's proportionate share of the net pension liability	60,737,392	65,187,921	64,466,509	54,797,658	42,253,944	40,838,967
Total	$ 172,066,373	$ 179,043,983	$ 173,437,824	$ 151,055,124	$ 122,145,723	$ 108,470,711
Covered payroll	$ 67,584,347	$ 66,364,690	$ 63,679,597	$ 60,292,804	$ 50,227,021	$ 51,955,637
Proportionate share of the net pension liability as a percentage of its covered payroll	165%	172%	171%	160%	159%	130%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.2226%	0.2236%	0.2178%	0.2177%	0.2108%	0.2056%
Proportionate share of the net pension liability	$ 64,882,916	$ 59,622,510	$ 51,988,034	$ 42,999,244	$ 31,068,349	$ 23,344,213
Covered payroll	$ 30,991,382	$ 27,758,189	$ 27,758,189	$ 26,128,463	$ 23,139,080	$ 21,689,629
Proportionate share of the net pension liability as a percentage of its covered payroll	209%	215%	187%	165%	134%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 11,989,290	$ 10,997,082	$ 9,573,016	$ 7,918,756	$ 6,430,351	$ 4,907,917
Less contributions in relation to the contractually required contribution	11,989,290	10,997,082	9,573,016	7,918,756	6,430,351	4,907,917
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 70,112,807	$ 67,584,347	$ 66,364,690	$ 63,679,597	$ 60,292,804	$ 50,227,021
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 6,343,937	$ 5,597,011	$ 4,581,720	$ 3,855,057	$ 3,095,439	$ 2,647,574
Less contributions in relation to the contractually required contribution	6,343,937	5,597,011	4,581,720	3,855,057	3,095,439	2,647,574
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 32,168,435	$ 30,991,382	$ 29,500,480	$ 27,758,189	$ 26,128,463	$ 23,139,080
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

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
June 30, 2020

Fremont Union High School District

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	$ 211,593	
Adult Secondary Education	84.002	13978	93,438	
English Literacy and Civics Education	84.002A	14109	52,467	
Total Adult Education				$ 357,498
Title II, Part A, Teacher Quality	84.367	14341		157,480
Title III-Limited English Proficiency (LEP)	84.365	14346		112,794
Individuals with Disabilities Act, Part B, Sec 611:				
Basic Local Assistance Entitlement	84.027	13379	1,626,279	
Alternative Dispute Resolution	84.027A	13007	7,281	
Mental Health ADA Allocation Plan	84.027A	14468	396,792	
Total Special Education Cluster				2,030,352
Carl D Perkins, Technology Secondary, Section 131	84.048	14894		138,667
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006		462,547
Total U.S. Department of Education				3,259,338
U.S. DEPARTMENT OF AGRICULTURE				
Passed through CDE:				
Child Nutrition Cluster				
National School Lunch	10.555	13523	539,956	
Especially Needy Breakfast	10.553	13526	245,579	
Meal Supplements and Basic School Breakfast	10.556	13568	100,223	
Commodity Supplemental Food Program[2]	10.555	[1]	106,156	
Total Child Nutrition Cluster				991,914
Total U.S. Department of Agriculture				991,914
Total Expenditures of Federal Awards				$4,251,252

[1] Pass-Through Entity Identifying Number not available.

[2] Not recorded in the financial statements.

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 a variety of educational option programs. There were no boundary changes during the year.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Jeff Moe	President	2020
Bill Wilson	Vice President	2022
Rosa Kim	Member	2022
Naomi Nakano-Matsumoto	Member	2022
Roy Rocklin	Member	2020
Juan Pedraza	Student Member	2021

ADMINISTRATION

NAME	TITLE
Polly Bove	Superintendent
Christine Mallery	Chief Business Officer, Associate Superintendent
Graham Clark	Deputy Superintendent
Trudy Gross	Assistant Superintendent, Teaching and Learning
Tom Avvakumovits	Assistant Superintendent, Teaching and Learning

	Final Report	
	Second Period Report	Annual Report
Ninth Through Twelth		
Regular classes ADA	10,624.78	10,614.01
Extended year special education	4.93	4.93
Special education, nonpublic, nonsectarian schools	34.59	34.59
Extended year special education, nonpublic, nonsectarian schools	4.98	4.98
Community day school	10.40	9.05
Total Average Daily Attendance (ADA)	10,679.68	10,667.56

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	64,826	180	N/A	Complied
Grade 10	64,800	64,826	180	N/A	Complied
Grade 11	64,800	64,826	180	N/A	Complied
Grade 12	64,800	64,826	180	N/A	Complied

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Fund Balance				
Balance, June 30, 2020				
Unaudited Actuals	$ 32,460,935	$ 181,549,990	$ 33,052,154	$ 29,707,333
Fair market value adjustments	384,257	2,327,173	393,332	352,329
Balance, June 30, 2020				
Audited Financial Statements	$ 32,845,192	$ 183,877,163	$ 33,445,486	$ 30,059,662

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 174,660,157	$ 174,203,966	$ 173,200,431	$ 153,164,141
Other sources	1,391,323	683,157	-	-
Total Revenues and Other Sources	176,051,480	174,887,123	173,200,431	153,164,141
Expenditures	175,986,677	170,701,221	168,003,484	153,773,198
Other uses and transfers out	2,268,751	2,356,843	3,198,655	2,050,315
Total Expenditures and Other Uses	178,255,428	173,058,064	171,202,139	155,823,513
Increase/(Decrease) in Fund Balance	(2,203,948)	1,829,059	1,998,292	(2,659,372)
Ending Fund Balance	$ 30,641,244	$ 32,845,192	$ 31,016,133	$ 29,017,841
Available Reserves [2]	$ 5,140,156	$ 6,458,670	$ 5,969,433	$ 5,230,546
Available Reserves as a Percentage of Total Outgo	2.88%	3.73%	3.49%	3.36%
Long-Term Liabilities	$ 762,180,401	$ 783,386,061	$ 817,753,837	$ 649,697,078
K-12 Average Daily Attendance at P-2	10,577	10,680	10,620	10,732

The General Fund balance has increased by $3,827,351 over the past two years. However, the fiscal year 2020-2021 budget projects a decrease of $2,203,948 (6.7%) from the fiscal year 2019-2020.

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 $5,211,226 (3.0%) designated to economic uncertainties and additional $12,159,528 (7.0%) committed fund balance to comply to its board policies.

The District has incurred operating deficits in the fiscal year 2018 but a surplus in the fiscal year 2019 and 2020 and again anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $133,688,983 over the past two years.

Average daily attendance has decreased by 52 over the past two years. Additional decline of 103 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 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.

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
Assets							
Deposits and investments	$ 897,435	$ 200,871	$ 9,002,449	$ 102,494	$ 9,204,496	$ 10,498,315	$ 29,906,060
Receivables	465,206	112,932	30,914	415	36,931	42,559	688,957
Prepaid expenditures	1,166	-	-	-	-	-	1,166
Stores inventories	-	47,415	-	-	-	-	47,415
Total assets	$ 1,363,807	$ 361,218	$ 9,033,363	$ 102,909	$ 9,241,427	$ 10,540,874	$ 30,643,598
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 17,771	$ 51,281	$ 61,103	$ 20,000	$ -	$ -	$ 150,155
Due to other funds	173,937	56,472	-	-	-	-	230,409
Unearned revenue	-	203,372	-	-	-	-	203,372
Total liabilities	191,708	311,125	61,103	20,000	-	-	583,936
Fund Balances							
Nonspendable	1,166	47,790	-	-	-	-	48,956
Restricted	67,176	2,303	-	82,909	9,241,427	10,203,188	19,597,003
Committed	1,103,757	-	8,972,260	-	-	-	10,076,017
Assigned	-	-	-	-	-	337,686	337,686
Total fund balances	1,172,099	50,093	8,972,260	82,909	9,241,427	10,540,874	30,059,662
Total liabilities and fund balances	$ 1,363,807	$ 361,218	$ 9,033,363	$ 102,909	$ 9,241,427	$ 10,540,874	$ 30,643,598

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
Revenues							
Local Control Funding Formula	$ -	$ -	$ 1,567,387	$ -	$ -	$ -	$ 1,567,387
Federal sources	357,497	885,758	-	-	-	-	1,243,255
Other State sources	3,193,803	71,808	-	-	-	3,333,782	6,599,393
Other local sources	788,487	1,227,401	249,026	3,166	1,742,676	285,290	4,296,046
Total revenues	4,339,787	2,184,967	1,816,413	3,166	1,742,676	3,619,072	13,706,081
Expenditures							
Current							
Instruction	1,174,001	-	-	20,000	-	-	1,194,001
Instruction-related activities							
Supervision of instruction	113,428	-	-	-	-	-	113,428
Instructional library, media, and technology	8,178	-	-	-	-	-	8,178
School site administration	2,637,400	-	-	-	-	-	2,637,400
Pupil services							
Food services	-	3,374,078	-	-	-	-	3,374,078
All other pupil services	128,688	-	-	-	-	-	128,688
Administration							
All other administration	173,937	84,139	-	-	27,700	-	285,776
Plant services	286,066	-	168,575	-	-	-	454,641
Total expenditures	4,521,698	3,458,217	168,575	20,000	27,700	-	8,196,190
Excess (Deficiency) of Revenues Over Expenditures	(181,911)	(1,273,250)	1,647,838	(16,834)	1,714,976	3,619,072	5,509,891
Other Financing Sources (Uses)							
Transfers in	-	1,298,343	-	-	-	-	1,298,343
Net Change in Fund Balances	(181,911)	25,093	1,647,838	(16,834)	1,714,976	3,619,072	6,808,234
Fund Balance - Beginning	1,354,010	25,000	7,324,422	99,743	7,526,451	6,921,802	23,251,428
Fund Balance - Ending	$ 1,172,099	$ 50,093	$ 8,972,260	$ 82,909	$ 9,241,427	$ 10,540,874	$ 30,059,662

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in fund balance of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling $106,156 in inventory.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, 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		$ 5,012,544
Federal interest subsidy from Build America Bonds Act	N/A	(867,447)
Food Commodities	10.555	106,156
Total Schedule of Expenditures of Federal Awards		$ 4,251,253

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.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic. As a result, the District received credit for these 52 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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.

Independent Auditor's Reports
June 30, 2020

Fremont Union High School District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Fremont Union High School District
Sunnyvale, California

We have audited, in accordance with 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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Fremont Union High School District's basic financial statements and have issued our report thereon dated December 1, 2020.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Fremont Union High School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont Union High School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Eide Bailly LLP

San Mateo, California
December 1, 2020

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Fremont Union High School District
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited Fremont Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont Union High School District's major federal programs for the year ended June 30, 2020. Fremont Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

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

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Opinion on Each Major Federal Program

In our opinion, Fremont Union High School District's 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, 2020.

Report on Internal Control over Compliance

Management of Fremont Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont Union High School District 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 Fremont Union High School District 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

San Mateo, California
December 1, 2020

Independent Auditor's Report on State Compliance

Board of Trustees
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 described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance 'with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

	Procedures Performed
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.

Unmodified Opinion

In our opinion, Fremont Union High School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

San Mateo, California
December 1, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major federal programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	
Unmodified for all programs	Yes

None reported.

None reported.

None reported.

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