

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2019**



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CONSULTING

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Fullerton Joint Union High School District  
Fullerton, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fullerton Joint Union High School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

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Fullerton Joint Union High School District

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, the continuing disclosure information and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Average Daily Attendance (ADA), Schedule of Instructional Time, Schedule of Expenditures of Federal Awards, Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements, the Notes to the Supplementary Information and the combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare


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

The History and Organization, Schedule of Financial Trends and Analysis, Schedule of Charter Schools, and continuing disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
December 3, 2019

**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
June 30, 2019**

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This section of Fullerton Joint Union High School District's (the District) annual financial report presents the District's discussion and analysis of its financial performance during the fiscal year that ended on June 30, 2019. This should be read 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 District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 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. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The Fund Financial Statements include statements for each of the two categories of activities: governmental and fiduciary.

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

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

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

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

**Financial Highlights**

- LCFF Sources - The District received approximately \$137.3 million (\$63.1 million in state LCFF and \$74.2 million in local taxes) in 2018/19 as compared with \$130.3 million (\$59.2 million in state LCFF and \$71.1 million in local taxes) in 2017/18. This represents an increase of \$7.0 million.
- Federal, Other State, & Local Sources – The district received and reported in 2018/19 approximately \$45.3 million in Federal, Other State, & Local Revenue in the General Fund compared to \$36.9 million in 2017/18. This represents an increase of \$8.4 million.

**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
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- Collective bargaining agreements with all employee groups were settled through June 30, 2019. An agreement was entered on April 3, 2018 between the Fullerton Joint Union High School District and the Fullerton Secondary Teachers' Organization (FSTO). An extension to the FSTO contract was made through June 30, 2020.

The Fullerton Joint Union High School District and the California School Employees Association (CSEA) Chapter 82 entered into an agreement on March 22, 2018 for a new term agreement for the period July 1, 2018 through June 30, 2021.

These agreements incorporated a 0.65% on-salary schedule increase effective July 1, 2018.

- For the 2019/20 school year, trigger language will take effect if the Local Control Funding Formula Base amount at the time the State adopts the respective year's budget is more than \$122,248,820 for 2019/20. For these calculations the ADA will remain constant at the 2017/18 Second Interim Report numbers of 13,366.37. This language resulted in a 1.14% on-salary schedule increase effective July 1, 2019 for all employees.
- In November 2014 the voters approved Measure I authorizing up to \$175 million in General Obligation Bonds. The first series of bonds (\$42.5 million) were sold in October 2015, the second series of bonds (\$40.0 million) were sold in April 2017, the third series of bonds (\$48.0 million) were sold in April 2018, and the fourth series of bonds (\$21.0 million) were sold in February 2019.

***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 deferred outflow and all liabilities and deferred inflows of the District using the full-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 therein. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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.



**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
June 30, 2019**

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The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our 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 the education and the safety of our schools will be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, District activities are separated as follows:

**Governmental Activities** – The District reports all of its services in this category. This includes supporting student achievement in the education of ninth through twelve grade students, the operation of adult education programs, compensation for employee salary and benefit costs, and improving and maintaining District facilities. 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. Department 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 of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
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**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*. The District uses internal service funds (a type of proprietary fund) to report activities of the District's Self-Insurance and Workers Compensation programs. The internal service funds are consolidated with governmental activities in the government-wide financial statements.

## **THE DISTRICT AS A TRUSTEE**

### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or *fiduciary*, for funds held on behalf of others such as associated student body activities and non-obligatory debt of the Fullerton Joint Union High School District Community Facilities District. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. The District excludes 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**

Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
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**Table 1**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current and Other Assets	\$ 154,684,723	\$ 173,466,322
Capital Assets	<u>263,183,602</u>	<u>223,157,232</u>
<b>Total Assets</b>	<u>417,868,325</u>	<u>396,623,554</u>
 <b>Deferred Outflows of Resources</b>	 <u>42,318,761</u>	 <u>44,908,584</u>
 <b>Liabilities</b>		
Current Liabilities	27,611,157	32,683,067
Long-term Liabilities	<u>424,629,749</u>	<u>403,332,775</u>
<b>Total Liabilities</b>	<u>452,240,906</u>	<u>436,015,842</u>
 <b>Deferred Inflows of Resources</b>	 <u>13,015,913</u>	 <u>14,991,101</u>
 <b>Net Position</b>		
Net Investment in Capital Assets	91,498,406	89,304,416
Legally Restricted	23,005,019	26,557,374
Unrestricted	<u>(119,573,158)</u>	<u>(125,336,595)</u>
<b>Total Net Position</b>	<u>\$ (5,069,733)</u>	<u>\$ (9,474,805)</u>

The District's net position was (\$5,069,733) for the fiscal year ended June 30, 2019, reflecting an increase from prior year of \$4,405,072. Of this amount, \$23,005,019 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations.

The (\$119,573,158) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The June 30, 2019 unrestricted net position increased \$5,763,437 as compared to June 30, 2018.

In addition, the increase in long-term obligations and deferred inflows and outflows of resources is related to the recording of postemployment healthcare benefit obligations, the recording of changes in pension related obligations, as well as the issuance of general obligation bonds. Refer to Notes 11, 13 and 14 for further discussion.

**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
June 30, 2019**

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**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* in the District's financial statements. Table 2 takes the information from the statement and rearranges it slightly so the reader can identify the District's total revenues for the year.

**Table 2**

	<u>2018-19</u>	<u>2017-18*</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 443,282	\$ 443,839
Operating Grants and Contributions	33,912,909	30,189,502
Capital Grants and Contributions	4,820	3,784
General Revenues:		
Property Taxes	87,272,746	83,267,702
Federal and State Aid Unrestricted	69,224,523	64,865,891
Interest, Investment and Miscellaneous	<u>7,858,770</u>	<u>7,794,656</u>
<b>Total Revenues</b>	<u>198,717,050</u>	<u>186,565,374</u>
<b>Expenses</b>		
Instruction and Related Services	120,522,952	111,396,208
Pupil Services	20,700,792	20,855,722
Ancillary, Community, and Enterprise Activities	1,667,581	2,288,497
General Administration	8,081,501	8,304,986
Plant Services	19,320,156	19,183,976
Other Outgo	7,038,388	7,500,418
Debt Service-Interest	7,103,982	5,681,457
Depreciation (unallocated)	<u>9,876,626</u>	<u>5,127,655</u>
<b>Total Expenses</b>	<u>194,311,978</u>	<u>180,338,919</u>
Change in Net Position	<u>4,405,072</u>	<u>6,226,455</u>
<b>Net Position - Beginning, as originally stated</b>	<u>(9,474,805)</u>	<u>18,054,153</u>
<b>Adjustment for cumulative effect of change     in accounting principle</b>	<u>-</u>	<u>(33,755,413)</u>
<b>Net Position - Beginning of Year, as restated</b>	<u>(9,474,805)</u>	<u>(15,701,260)</u>
<b>Net Position - End of Year</b>	<u>\$ (5,069,733)</u>	<u>\$ (9,474,805)</u>

\*The beginning net position of the basic financial statements was restated to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*.

**Fullerton Joint Union High School District  
Management’s Discussion and Analysis  
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As shown above in Table 2, the cost of all governmental activities in fiscal year 2018/19 was \$194,311,978. Federal and state unrestricted revenues totaled \$69,224,523, local property tax revenue totaled \$87,272,746, and other local revenues – including contributions and donations totaled \$7,858,770.

**THE DISTRICT'S FUNDS**

As the District completed this year, governmental funds reported a combined fund balance of \$133,270,059, which is a decrease of \$14,887,425 from the prior year (see Table 3 below).

**Table 3**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues	\$ 202,802,720	\$ 185,222,092
Expenditures	<u>239,946,126</u>	<u>222,364,603</u>
Excess (deficiency)	(37,143,406)	(37,142,511)
Other Financing Sources (net)	<u>22,255,981</u>	<u>48,865,118</u>
Net Change in Fund Balance	(14,887,425)	11,722,607
Beginning Fund Balance	<u>148,157,484</u>	<u>136,434,877</u>
Ending Fund Balance	<u><u>\$ 133,270,059</u></u>	<u><u>\$ 148,157,484</u></u>

The primary reasons for this net decrease include:

- Increased state funding under LCFF and Federal, State and Local Revenues.
- Increase in spending related to instructional costs of \$12.8 million.
- Increase in spending related to capital projects as further described on page –ix– and debt service on general obligation bonds for these improvements.
- Issuance of \$21.0 million in Measure I, Series D General Obligation Bonds.

Of these funds, the District’s general operating fund, the General Fund consists of activity in the General Fund (Fund 1), the Deferred Maintenance Fund (Fund 14), the Special Reserve Fund for Other than Capital Outlay (Fund 17), and the Special Reserve Fund (Fund 20). Below is a table showing changes from 2017/18 to 2018/19:

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**Table 4**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Revenues	\$ 182,577,153	\$ 166,374,157	\$ 16,202,996
Expenditures	<u>173,806,417</u>	<u>157,275,598</u>	<u>16,530,819</u>
Excess (deficiency)	8,770,736	9,098,559	(327,823)
Other Financing Uses	<u>(1,750,000)</u>	<u>(3,645,189)</u>	<u>1,895,189</u>
Net Change in Fund Balance	7,020,736	5,453,370	1,567,366
Fund Balances at Beginning of Year	<u>59,580,995</u>	<u>54,127,625</u>	<u>5,453,370</u>
Fund Balance at End of Year	<u>\$ 66,601,731</u>	<u>\$ 59,580,995</u>	<u>\$ 7,020,736</u>

The primary reasons for the increase in expenditures include:

- An increase in classified salaries expense for additional instructional aides needed, a salary increase of 0.65% to all employees, and an increase in pension and health & welfare costs.
- An increase in books and supplies due to textbook adoption implementation and chrome book replacement costs.
- An increase in services and other operating costs for sub agreements for services, and non-capitalized improvements.
- An increase in building improvements and equipment replacement.

**General Fund Budgetary Highlights**

In June of each year, a Budget is adopted by the Board of Trustees, effective July 1 through June 30 for the fiscal year. The "Adopted Budget" is developed based on on-going operational expenditures without carryover and one-time unanticipated new revenues. As the school year progresses, the Budget is revised and updated regularly. The final revision of the Budget which is also known as the Estimated Actuals Budget is presented in June, toward the end of the fiscal year. In August following the close of the fiscal year, the books are closed and the results are audited, yielding the Final Budget and numbers which are included in the Annual Financial Report.

A schedule of budgetary comparison for the General Fund can be found on page 55. The key differences between the Adopted Budget, the Estimated Actuals Budget, and Final Budget are attributable to adjusted revenue and expenditures projections and carryovers amounts.

**Fullerton Joint Union High School District  
Management's Discussion and Analysis  
June 30, 2019**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2019, the District had \$263,183,602 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, retirements, and depreciation) of \$40,026,370. This was primarily related to modernization projects for gym, theater and stadium facilities and various campuses as well as seismic mitigation projects throughout the District.

**Table 5**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land and Construction in Progress	\$ 64,134,173	\$ 47,733,357
Buildings and Improvements, Furniture and Equipment, Vehicles	292,348,081	258,899,103
Less Accumulated Depreciation	<u>(93,298,652)</u>	<u>(83,475,228)</u>
Total	<u>\$ 263,183,602</u>	<u>\$223,157,232</u>

**Long-Term Obligations**

At the end of the fiscal year, the District had \$431,975,711 in long-term obligations versus \$411,488,293 the prior fiscal year. This increase is primarily attributable to the increase in General Obligation Bond Debt of approximately \$21,000,000 from the sale of Measure I, Series D bonds, the fourth series attributable to the \$175 million General Obligation Bond measure authorized by the voters in November 2014. Additional information on this increase can be found at Note 11.

**Table 6**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General Obligation Bond Debt	\$ 183,465,000	\$169,665,000
Unmatured Premium (GO Bond)	13,850,771	12,265,773
Certificates of Participation (COP's)	18,650,000	19,295,000
Unmatured Premium (COP's)	1,673,802	1,766,791
Capital Leases	42,548	78,496
Compensated Absences	1,355,345	1,347,837
Early Retirement Incentive	274,570	549,140
Net Pension Liability	155,370,932	152,111,743
Other Post-Employment Benefits	<u>57,292,743</u>	<u>54,408,513</u>
Total	<u>\$ 431,975,711</u>	<u>\$411,488,293</u>

The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. This is also known as

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Management's Discussion and Analysis  
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the District's bonding capacity. For fiscal year 2018/19 the District's assessed valuation was \$35,582,334,636 and the statutory bonding capacity was \$444,779,183. Outstanding general obligation debt totaled \$183,465,000, providing a remaining bonding capacity of \$261,314,183.

Pension liabilities are paid based on funding rates set by the respective retirement plan. Post-employment healthcare benefits are funded on a pay-as-you-go basis.

**SIGNIFICANT ACCOMPLISHMENTS**

- Troy High School in 2019 was ranked by U.S. News & World Report #278 in the national rankings, and was ranked #35 in the State of California. Troy High School ranks #44 in STEM High Schools and #63 in Magnet High Schools. The Advanced Placement participation rate is 66% and Troy High School has a 97% graduation rate.

Troy High School was named by Niche.com as #5 best public high school in California, #1 best college prep public high school in California, and #38 best high school for STEM in California.

Troy High School is acclaimed for its many programs including Troy Tech and International Baccalaureate.

Over the last 20 years, there have been 38 schools that have made it to the top 10 podium of Science Olympiad (out of 8000 annually participating teams); however, the national stage has been dominated by just 6 schools at the top spot. Troy High school is one of these six schools and has taken the top spot at nationals 18 out of the last 20 years.

In April 2019, the Air Force Association's 11th annual CyberPatriot National Youth Education Program crowned its champions from a whopping 6,387 teams (5,144 high school and 1,243 middle school teams). CyberPatriot students are put through a series of grueling rounds where they have to identify vulnerabilities in virtual computer operating systems. The competition was more intense than ever having added nearly a thousand new student teams since the previous year's competition. Troy High School came in 1<sup>st</sup> place in the open division, and 2<sup>nd</sup> place in the all service division.

- In 2019, Sunny Hills High School was ranked by U.S. News & World Report #814 in the national rankings, and #123 in the State of California. Sunny Hills High School ranks #123 in Magnet High Schools in California. The school has a 98% graduation rate.

Sunny Hills High School was named by Niche.com as #80 best college prep public high school in California, #116 best public high school in California, and #212 best high school for STEM in California.

Sunny Hills High School has a thriving eSports club on campus, along with many other clubs that allow students to participate in extra-curricular events. The staff believes that high school should be a fun and exciting time in a student's life filled with vast



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opportunities for learning and growth. The quality and drive of the exceptional teaching staff, the professionalism and pride of the classified staff, the community and parental partnerships, and the amazing students allow Sunny Hills High School to provide a world class education for every student, every day!

- Sonora High School in 2019 was ranked by U.S. News & World Report #1,864 in the national rankings, and was ranked #283 in the State of California. The Advanced Placement participation rate is 52%. Sonora High School ranks #210 in Magnet High Schools and has a 96% graduation rate.

Sonora High School was named by Niche.com #273 out of 1,371 best college prep public high school in California, and #332 out of 1,816 best public high school in California.

Sonora High School is a diverse community dedicated to the academic, personal, and social growth of all student learners within a student-centered environment. Sonora High School encourages students to become life-long learners and contributing members of a democracy in an ever-changing world.

Sonora High School promotes the success of all students in an atmosphere of mutual respect and caring by the following means:

- Educating students to their individual learning potential;
- Fostering in each student an acceptance of ethnic and cultural diversity;
- Promoting school spirit and school loyalty; and,
- Instilling within each student a commitment to the values of community and the American democratic society.

Sonora High School strives for excellence in academics, activities, athletics, and service by:

- Providing academically challenging programs for students with different interests and abilities;
- Providing a challenging array of curricular, extra-curricular, aesthetic, and athletic programs;
- Providing the tools to access, evaluate and use information from a variety of technological sources.
- Equipping students with the skills necessary for a successful transition to college and/or work.

- Buena Park High School in 2019 was ranked by U.S. News & World Report #701 in the State of California. The Advanced Placement participation rate is 46%. Buena Park High School has a 97% graduation rate.

Buena Park High School was named by Niche.com 209# out of 411 standout high schools in California, and 453# out of 2,057 for best public high school for athletes in California.

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Buena Park High School's mission is to encourage the critical thinking and communication skills of all students. The school's goal is to produce literate, technologically experienced, morally, and civilly aware lifelong learners, who are prepared to undertake the challenges with continuing their education, and entering the job market. Buena Park High School provides a rigorous, meaningful, and challenging curriculum.

Buena Park High School offers a complete Honors/AP and college prep programs that has a history of providing students with the necessary education to attend the nation's finest educational institutions. The school boasts National Merit Finalists and Questbridge Scholars, in addition to many more incredible accomplishments such as winning multiple CIF championships. Buena Park High School was awarded four statewide awards: 2015 Gold Ribbon School, 2015 Exemplary ARTS School, 2015 Exemplary C.T.E. School, and 2015 Title 1 Academic Achievement School; the only school (*K-12, Public or Private*) to receive all four awards in the entire state of California. Buena Park High School has also opened a number of specialized academic programs that make BPHS a "Destination High School."

- La Habra High School in 2019 was ranked by U.S. News & World Report #48 in the State of California. The Advanced Placement participation rate is 54%. La Habra High School ranks #318 in Magnet High Schools and has a 97% graduation rate.

La Habra High School was named by Niche.com #303 out of 2,057 best high schools for athletics in California, #416 out of 1,371 in best college prep public high school in California, and # 472 out of 1,816 for best public high school in California.

La Habra High school has high standards and expectations for each student in regard to academic performance, co-curricular participation, and responsible citizenship. It is through Rigor, Relevance, Relationships, and Results that La Habra High School holds their high standards and asks each of their students to rise to the challenge to set extraordinary records of achievement and contribution. La Habra High School's goal is to prepare students to be competent individuals in learning the State curriculum and apply the skills learned through by use of creativity, analysis, and problem solving.

- Fullerton Union High School in 2019 was ranked by U.S. News & World Report #2,883 in the national rankings, and was ranked #427 in the State of California. The Advanced Placement participation rate is 42%. Fullerton Union High School ranks #298 in Magnet High Schools and has a 96% graduation rate.

Fullerton Union High School was named by Niche.com #126 out of 411 for the Standout High Schools in California, #377 out of 1,371 for best college prep public high school in California, and #536 out of 1,816 for best public high school in California.

The mission of Fullerton Union High School is to provide quality curriculum and instruction through a wide range of academic, co-curricular and extracurricular

**Fullerton Joint Union High School District  
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opportunities by which all students may discover their interests and talents, form connections, and move from passive to active participants in the educational community in preparation for responsible, productive adulthood.

- La Vista Continuation High School and La Sierra Alternative High Schools meet the needs of families seeking non-traditional educational settings. The staff is dedicated to working with students who are at-risk of not graduating on time, who are on an individual education plan and who seeks a learning environment different from the comprehensive high schools.

La Vista High School has been named a Model School by the California Department of Education for the last twelve years. This is the highest honor a continuation high school can receive. A new initiative for La Vista High School is the collaboration it has established with Fullerton College to support its students as they transition into college and career. Representatives from Fullerton College conduct bi-monthly lunchtime workshops at La Vista to increase awareness of the certificate and academic pathways available to its students after graduation. The workshops also provide assistance with the registration, enrollment, and financial aid process. The jewel in the crown of this La Vista/Fullerton College collaboration, however, is the middle college course taught by a Fullerton College professor on the La Vista campus during the regular school day. Students who complete the middle college course earn high school and college credits concurrently and receive priority registration and extra support once they graduate from high school and begin attending Fullerton College.

### **Economic Factors that may affect the Future**

*State Budget and 2019/20 LCFF* – In 2013/14, the State implemented the Local Control Funding Formula (LCFF). This funding model formula establishes a base with supplemental and concentration add-ons for English learners, free and reduced-price meal eligible students and foster youth students.

Under LCFF, the District will plan for program needs based on input from a variety of District stakeholders including community members, administrators, certificated and classified staff, bargaining associations, parents, and students. This information is used to develop the District's Local Control Accountability Plan (LCAP). The District budgets LCFF funds in support of the LCAP.

The LCFF consists of two calculations. One is done for the base grant entitlement where the grade span per-pupil grants are increased annually for a Cost of Living adjustment (COLA). Another calculation is done for the Supplemental and Concentration grants. Supplemental and Concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced price meal (FRPM) program eligible students, and foster youth. The District does not qualify for the Concentration grant as the eligible student count does not exceed 55% of the District's enrollment.

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Below is information related to projected LCFF amounts:

	2019/20	2020/21	2021/22
COLA	3.26%	3.0%	2.8%
LCFF Amount	\$140,138,310	\$143,398,179	\$145,810,742

**Projected Student Average Daily Attendance** – District ADA is projected to decline in the 2019/20 school year. The District’s CALPADS October 2019 enrollment count shows a decrease of 53 students from prior year numbers. The District’s funded P-2 ADA shows a decrease of 55.25 students from prior year numbers. The 2019/2020 Enrollment and ADA estimates will be revised as new information is received. Since the District is in declining enrollment, the 2019/2020, 2020/2021, and 2021/2022 Local Control Funding Formula revenues will be calculated based on prior year numbers.

**Lottery** – Lottery income for years 2019/20, 2020/21 and 2021/22 is based on estimates from the State Department of Education, the Orange County Department of Education, and School Services of California. Projected 2019/20 lottery income by School Services of California was \$153 per ADA for unrestricted uses, and \$54 per ADA for restricted uses and holds at that level for the next several years.

**Special Education** – It is estimated that the District will receive somewhat level funding for Special Education in 2019/20. Based on current estimates, the General Fund contribution in support of various Special Education programs in 2019/20 will be approximately \$13,112,040 million.

**Ending Fund Balance Projection** – The District’s 2018/19 ending fund balance and projected 2019/20, 2020/21 and 2021/22 ending fund balance are projected to meet the required 3% contingency reserve requirement.

**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:

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Fullerton Joint Union School District  
1051 West Bastanchury Road  
Fullerton, California, 92833-2247

Phone: 714-870-2810  
E-mail: jvelasco@fjuhsd.org

**FINANCIAL SECTION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2019**

	Governmental Activities
<b><u>Assets</u></b>	
Cash in county treasury	\$ 146,876,062
Cash and cash equivalents	374,270
Accounts receivable	7,351,547
Inventories	82,844
Land	3,485,921
Construction in progress	60,648,252
Depreciable assets, net	<u>199,049,429</u>
<b>Total Assets</b>	<b>417,868,325</b>
 <b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	1,517,850
Deferred outflows - OPEB	1,199,662
Deferred outflows - pensions	<u>39,601,249</u>
<b>Total Deferred Outflows of Resources</b>	<b>42,318,761</b>
 <b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	10,290,549
Accrued interest	3,381,064
Unearned revenue	1,410,172
Claims liability (IBNR)	5,183,410
Current portion of long-term liabilities	7,345,962
Non-current portion of long term liabilities	<u>424,629,749</u>
<b>Total Liabilities</b>	<b>452,240,906</b>
 <b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pensions	<u>13,015,913</u>
 <b><u>Net Position</u></b>	
Net investment in capital assets	91,498,406
Restricted for:	
Capital projects	5,247,081
Debt service	11,615,150
Educational programs	4,196,830
Other programs	1,945,958
Unrestricted	<u>(119,573,158)</u>
<b>Total Net Position</b>	<b>\$ (5,069,733)</b>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2019**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 105,103,235	\$ -	\$ 23,060,849	\$ 4,820	\$ (82,037,566)
Instruction - related services	15,419,717	-	1,330,316	-	(14,089,401)
Pupil services	20,700,792	429,660	6,410,553	-	(13,860,579)
Ancillary services	1,550,876	-	38,062	-	(1,512,814)
Community services	20,915	-	-	-	(20,915)
Enterprise activities	95,790	-	47,148	-	(48,642)
General administration	8,081,501	13,622	812,058	-	(7,255,821)
Plant services	19,320,156	-	60,981	-	(19,259,175)
Other outgo	7,038,388	-	2,152,942	-	(4,885,446)
Debt service - interest	7,103,982	-	-	-	(7,103,982)
Depreciation (unallocated)	9,876,626	-	-	-	(9,876,626)
<b>Total Governmental Activities</b>	<u>\$ 194,311,978</u>	<u>\$ 443,282</u>	<u>\$ 33,912,909</u>	<u>\$ 4,820</u>	<u>(159,950,967)</u>
<b>General Revenues</b>					
Property taxes levied for					
General purposes					74,239,650
Debt service					13,033,096
Federal and state aid not restricted to specific purposes					69,224,523
Interest and investment earnings					1,649,810
Miscellaneous					6,188,960
Transfer from agency fund					20,000
<b>Total General Revenues</b>					<u>164,356,039</u>
Change in net position					4,405,072
Net Position - Beginning of Year					<u>(9,474,805)</u>
Net Position - End of Year					<u>\$ (5,069,733)</u>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash in county treasury	\$ 70,167,012	\$ 48,516,267	\$ 19,697,371	\$ 138,380,650
Cash in revolving fund	75,000	-	10,712	85,712
Cash with fiscal agent	87,631	-	-	87,631
Cash awaiting deposit	-	-	927	927
Accounts receivable	6,799,506	105,909	428,907	7,334,322
Due from other funds	97,636	36,508	796,476	930,620
Inventories	57,535	-	25,309	82,844
<b>Total Assets</b>	<b><u>\$ 77,284,320</u></b>	<b><u>\$ 48,658,684</u></b>	<b><u>\$ 20,959,702</u></b>	<b><u>\$ 146,902,706</u></b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 7,372,674	\$ 2,661,759	\$ 138,309	\$ 10,172,742
Due to other funds	1,952,199	-	97,534	2,049,733
Unearned revenue	1,357,716	-	52,456	1,410,172
<b>Total Liabilities</b>	<b><u>10,682,589</u></b>	<b><u>2,661,759</u></b>	<b><u>288,299</u></b>	<b><u>13,632,647</u></b>
 <b>Fund Balances</b>				
Nonspendable	132,535	-	36,021	168,556
Restricted	4,196,830	45,996,925	20,635,382	70,829,137
Assigned	14,444,984	-	-	14,444,984
Unassigned	47,827,382	-	-	47,827,382
<b>Total Fund Balances</b>	<b><u>66,601,731</u></b>	<b><u>45,996,925</u></b>	<b><u>20,671,403</u></b>	<b><u>133,270,059</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 77,284,320</u></b>	<b><u>\$ 48,658,684</u></b>	<b><u>\$ 20,959,702</u></b>	<b><u>\$ 146,902,706</u></b>

See accompanying notes to the financial statements.



## FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

**June 30, 2019**

Total fund balances - governmental funds \$ 133,270,059

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 3,485,921	
Construction in progress	60,648,252	
Depreciable assets, net	<u>199,049,429</u>	263,183,602

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Capital leases	(42,548)	
Certificates of Participation (COPS)	(20,323,802)	
General obligation bonds	(197,315,771)	
Compensated absences	(1,355,345)	
Postemployment healthcare benefits	(57,292,743)	
Net pension liability	(155,370,932)	
Early retirement incentive	<u>(274,570)</u>	(431,975,711)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred charge on refunding	1,517,850	
Deferred outflows - OPEB	1,199,662	
Deferred outflows - pensions	39,601,249	
Deferred inflows - pensions	<u>(13,015,913)</u>	29,302,848

An internal service funds is used by the District to manage its self insurance programs. The assets and liabilities should be included with governmental activities. The fund consists of:

Assets	9,831,915	
Less: Liabilities	<u>(5,301,382)</u>	4,530,533

Interest expense payable related to general obligation bonds and COPS was incurred but is not accrued in governmental funds as of June 30, 2019. (3,381,064)

Total net position - governmental activities \$ (5,069,733)

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2019**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local control funding formula sources:				
State apportionments	\$ 63,075,387	\$ -	\$ -	\$ 63,075,387
Local sources	74,239,651	-	-	74,239,651
Total local control funding formula sources	137,315,038	-	-	137,315,038
Federal sources	6,982,133	-	2,764,568	9,746,701
Other state sources	21,220,595	-	249,558	21,470,153
Other local sources	17,059,387	3,863,414	13,348,027	34,270,828
<b>Total Revenues</b>	<u>182,577,153</u>	<u>3,863,414</u>	<u>16,362,153</u>	<u>202,802,720</u>
<b>Expenditures</b>				
Instruction	105,347,206	-	-	105,347,206
Instruction - related services	14,708,033	-	-	14,708,033
Pupil services	17,532,203	-	3,133,701	20,665,904
Ancillary services	1,511,975	-	-	1,511,975
Community Services	20,906	-	-	20,906
Enterprise activities	95,675	-	-	95,675
General administration	8,153,011	-	100,946	8,253,957
Plant services	20,400,576	46,572,311	227,972	67,200,859
Other outgo	6,000,124	-	1,038,264	7,038,388
Debt service	36,708	1,512,422	13,554,093	15,103,223
<b>Total Expenditures</b>	<u>173,806,417</u>	<u>48,084,733</u>	<u>18,054,976</u>	<u>239,946,126</u>
Excess (deficiency) of revenues over expenditures	<u>8,770,736</u>	<u>(44,221,319)</u>	<u>(1,692,823)</u>	<u>(37,143,406)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	-	21,000,000	2,335,981	23,335,981
Interfund transfers in	-	-	670,000	670,000
Interfund transfers out	(1,750,000)	-	-	(1,750,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,750,000)</u>	<u>21,000,000</u>	<u>3,005,981</u>	<u>22,255,981</u>
Net changes in fund balance	7,020,736	(23,221,319)	1,313,158	(14,887,425)
<b>Fund Balances at Beginning of Year</b>	<u>59,580,995</u>	<u>69,218,244</u>	<u>19,358,245</u>	<u>148,157,484</u>
<b>Fund Balances at End of Year</b>	<u>\$ 66,601,731</u>	<u>\$ 45,996,925</u>	<u>\$ 20,671,403</u>	<u>\$ 133,270,059</u>

See accompanying notes to the financial statements.

## FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$(14,887,425)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset additions	49,902,996	
Depreciation expense	<u>(9,876,626)</u>	40,026,370

Issuance of long-term debt is reported as proceeds in governmental funds but increases long-term liabilities in the statement of net position.

General obligation bond including premium		(23,335,981)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bond principal payments	7,200,000	
COP principal payments	645,000	
Capital lease principal payments	<u>35,948</u>	7,880,948

In governmental funds, pension costs are recognized when the employer contributions are made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contributions was:

Net decrease in deferred outflows of resources - pensions	(3,154,239)	
Net increase in net pension liability	(3,259,189)	
Net decrease in deferred inflows of resources - pensions	<u>1,975,188</u>	(4,438,240)

In governmental funds, OPEB costs are recognized when the health and welfare payments are made, but in the statement of activities, OPEB costs are recognized on the accrual basis. The difference between accrual basis OPEB costs and actual health and welfare payments:

Net increase in deferred outflows of resources - OPEB	648,742	
Net increase in OPEB liability	<u>(2,884,230)</u>	(2,235,488)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

Amortization of deferred charge on refunding	(84,326)	
Recognition of increase in accrued interest expense	(641,354)	
Amortization of general obligation bonds premium	750,983	
Amortization of COP premium	92,989	
Increase in compensated absences	(7,508)	
Decrease in early retirement incentive	<u>274,570</u>	385,354

Internal service funds are used by the District to manage Self-Insurance programs.

Net income is reported with governmental activities.		<u>1,009,534</u>
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Change in net position of governmental activities		<u>\$ 4,405,072</u>
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See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
June 30, 2019**

	Governmental Activities: Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 8,495,412
Cash and cash equivalents	200,000
Accounts receivable	17,225
Due from other funds	1,119,278
<b>Total Assets</b>	<hr/> 9,831,915 <hr/>
<b><u>Liabilities</u></b>	
Accounts payable	117,807
Due to other funds	165
Estimated liability for open claims incurred but not recorded	5,183,410
<b>Total Liabilities</b>	<hr/> 5,301,382 <hr/>
<b><u>Net Position</u></b>	
Restricted	4,530,533
<b>Total Net Position</b>	<hr/> \$ 4,530,533 <hr/>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND**

**For the Fiscal Year Ended June 30, 2019**

	Governmental Activities: Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<b>Operating Revenues</b>	
Self-insurance premiums	\$ 20,345,848
Other miscellaneous revenues	<u>103,047</u>
<b>Total Operating Revenues</b>	<u>20,448,895</u>
 <b>Operating Expenditures</b>	
Classified salaries	267,425
Employee benefits	236,761
Services and other operating expenses	<u>20,200,615</u>
<b>Total Operating Expenditures</b>	<u>20,704,801</u>
 Net operating loss	<u>(255,906)</u>
 <b>Non-Operating Revenues</b>	
Interest income	165,440
Interfund transfers in	<u>1,100,000</u>
<b>Total Non-Operating Revenues</b>	<u>1,265,440</u>
 Net income	1,009,534
 <b>Net Position at Beginning of Year</b>	<u>3,520,999</u>
 <b>Net Position at End of Year</b>	<u>\$ 4,530,533</u>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 For the Fiscal Year Ended June 30, 2019**

	Governmental Activities Self-Insurance Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums and other revenues	\$ 21,982,904
Cash paid to/on behalf of employees	(504,186)
Cash paid to vendors for services and other operating expenses	(20,246,809)
Net cash provided by operating activities	<u>1,231,909</u>
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>157,480</u>
Net cash provided by investing activities	<u>157,480</u>
<b>Cash Flows from Financing Activities</b>	
Interfund transfer in	<u>1,100,000</u>
Net cash provided by financing activities	<u>1,100,000</u>
Net increase in cash and cash equivalents	2,489,389
Cash - July 1, 2018	<u>6,206,023</u>
Cash - June 30, 2019	<u>\$ 8,695,412</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
<b>Operating Loss</b>	\$ (255,906)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Due from other funds	1,540,114
Accounts payable	(46,194)
Unearned revenue	(6,270)
Due to other funds	<u>165</u>
Total adjustments	<u>1,487,815</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,231,909</u>
Cash and cash equivalents balances at June 30, 2019 consisted of the following:	
Cash in county treasury	\$ 8,495,412
Cash and cash equivalents	<u>200,000</u>
Total cash	<u>\$ 8,695,412</u>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
June 30, 2019**

	Debt Service Fund for Special Tax Bonds	Associated Student Body Funds	Total
<b><u>Assets</u></b>			
Cash in county treasury	\$ 234,949	\$ -	\$ 234,949
Cash and cash equivalents	-	1,897,217	1,897,217
Cash with fiscal agent	128,741	-	128,741
Accounts receivable	446	-	446
Inventories	-	15,467	15,467
<b>Total Assets</b>	<u>364,136</u>	<u>1,912,684</u>	<u>2,276,820</u>
<b><u>Liabilities</u></b>			
Accounts payable	-	9,215	9,215
Funds held in trust	364,136	1,903,469	2,267,605
<b>Total Liabilities</b>	<u>\$ 364,136</u>	<u>\$ 1,912,684</u>	<u>\$ 2,276,820</u>

See accompanying notes to the financial statements.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

#### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

#### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.



# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

***Instruction:*** includes the activities directly dealing with the interaction between teachers and students.

***Instruction-Related Services:*** includes supervision of instruction, instructional library, media and technology, and school site administration.

***Pupil Services:*** includes home to school transportation, food services, and other pupil services.

***Ancillary Services:*** includes activities that are generally designed to provide students with experiences outside the regular school day.

***Community Services:*** includes activities that provide services to community participants other than students.

***Enterprise Activities:*** includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with the self-insurance fund.

***General Administration:*** includes data processing services and all other general administration services.

***Plant Services:*** includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

***Other Outgo:*** includes transfers to other agencies.

***Debt Service:*** includes principal and interest payments for long term debt.

The proprietary and fiduciary fund expenses are presented by natural classification.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Accounting**

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

#### **Governmental Funds – Major**

**General Fund:** used to account for all financial resources except those accounted for in another fund. The Deferred Maintenance Fund, Special Reserve Fund for Other than Capital Outlay, and the Special Reserve Fund for Postemployment Benefits have been consolidated with the General Fund. These funds no longer meet the special revenue fund definition as they are no longer primarily composed of restricted or committed revenue sources.

**Building Fund:** used to account for the issuance of general obligation bonds and certificates of participation and the construction, renovation and repair of classrooms and District facilities. Debt service associated with the issuance of certificates of participation is also recorded in the building fund.

#### **Governmental Funds – Non-Major**

**Special Revenue Funds:** used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

*Cafeteria Fund:* used to account for revenues received and expenditures made to operate the District's cafeterias.

**Capital Projects Funds:** used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental fixed assets.

*Capital Facilities Fund:* used to account for resources received from residential and commercial developer impact fees.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*County School Facilities Fund:* used to account for the School Facility Program grant award for modernization and new construction of various school sites.

*Special Reserve for Capital Outlay Projects:* used to account for funds set aside for the maintenance of the Plummer Auditorium Pipe Organ.

*Capital Projects Fund for Blended Component Units:* used to account for capital projects financed by Mello–Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Debt Service Funds:** used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Bond Interest and Redemption Fund:* used to account for the payment of principal and interest on general obligation debt.

### **Proprietary Funds**

**Internal Service Fund:** used to account for services rendered on a cost-reimbursement basis within the District. The District operates a self–insured dental program and a self–insured workers’ compensation program that is accounted for in the internal service fund.

### **Fiduciary Funds**

**Debt Service Fund for Special Tax Bonds:** used to account for the accumulation of resources for the payment of the principal and interest on the special tax bonds issued by the 2005–1 CFD.

**Associated Student Body Fund:** used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates seven Associated Student Body funds.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

#### **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 in the county treasury is recorded at cost, which approximates fair value.

#### **Receivables**

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

#### **Inventories**

Inventory consists of expendable supplies held for consumption. Inventories are stated at cost, on the weighted average basis.

#### **Prepaid Expenses/Expenditures**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

#### **Capital Assets**

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20–50 years
Site Improvements	15–20 years
Furniture and Equipment and Vehicles	5–20 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenses) until then. These amounts are reported in the government-wide statement of net position.

***Deferred Charge on Refunding:*** A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***Deferred Outflows – OPEB:*** The deferred outflows of resources related to OPEB benefits resulted from the effects of actuarially-determined changes to the OPEB plan. Deferred outflows – OPEB will be deferred and amortized as detailed in Note 13 to the financial statements.

***Deferred Outflows – Pensions:*** The deferred outflows of resources related to pensions results from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the respective pension and from the effects of actuarially-determined changes to the respective pension plan. Deferred outflow – pensions will be amortized as detailed in Note 14 to the financial statements.

**Unearned Revenue**

Cash received for federal and state special projects and other District programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

#### **Long-Term Obligations**

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Premiums and discounts on issued debt are deferred and amortized over the life of the obligation using the straight-line method. Debt is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### **Postemployment Benefits Other Than Pensions (OPEB).**

For purposes of measuring the District's OPEB liability related to the Medicare Premium Payment (MPP) Program (and CERBT Plan), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program (and CERBT) fiduciary net position have been determined on the same basis as they are reported by the MPP Program (and CERBT). For this purpose, the MPP Program (and CERBT) recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Net Pension Liability**

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 CalSTRS and 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.

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period. Deferred inflows – pensions results from the effects of actuarially-determined changes to the respective pension plan. These amounts are amortized as detailed in Note 14 to the financial statements.

#### **Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net 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 improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

#### **Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

***Restricted:*** Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Committed:*** Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed balances as of June 30, 2019.

***Assigned:*** Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Trustees, through a formal action has given authority to assign amounts for a specific purpose that is neither restricted nor committed.

***Unassigned:*** The residual fund balance for the General Fund and all other spendable amounts.

#### **Spending Order Policy**

The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment functions.

#### **Minimum Fund Balance Policy**

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

#### **State Apportionments**

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.



# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are payable in two installments on November 1<sup>st</sup> and February 1<sup>st</sup>. Unsecured property taxes are payable in one installment on or before August 31<sup>st</sup>.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state in calculating the local control funding formula apportionment. Property taxes for debt service purposes cannot be estimated and have, therefore, not been accrued in the Government-wide financial statements.

#### **On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. During the current fiscal year, the State of California made additional one-time contributions to the State Teachers' Retirement System (STRS) and to the California Public Employees' Retirement System (PERS). On-behalf payments of \$4,445,475 made to STRS and \$1,341,207 made to PERS have been recorded in the fund financial statements.

#### **Contributed Services**

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

#### **Classification of Revenues – Proprietary Funds**

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, federal and most state and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

#### **Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

**The Fullerton Joint Union High School District Education Foundation (the Foundation):**  
The Foundation is a separate not-for-profit corporation. Certificates of participation issued by

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

the Foundation are included as long-term obligations in the Statement of Net Position. Individually prepared financial statements are not prepared for the Foundation.

**The Fullerton Joint Union High School District Community Facilities District (the CFD):** The CFD's financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units, included in the governmental funds of the District. The accumulation of resources for the payment of principal and interest on the special tax bonds issued by the CFD are included in the Statement of Fiduciary Net Position. Special Tax Bonds issued by the CFD are not included as long-term obligations in the Statement of Net Position, as they are not obligations of the District; see Note 12 (non-obligatory Debt). Individually prepared financial statements are not prepared for the CFD.

The following potential component units have been excluded from the District's reporting entity:

**Various PTA, PTO and Booster Clubs:** Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

### **NOTE 2: BUDGETS**

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

### **NOTE 3: CASH AND CASH EQUIVALENTS**

#### **Deposits**

#### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 3: CASH AND CASH EQUIVALENTS**

be returned to it. The District has established a policy for custodial risk that follows requirements as set forth in Education Code 41002.5. As of June 30, 2019, \$2,619,996 of the District's bank balance of \$2,998,332 was exposed to credit risk as follows:

District's Bank Balance	June 30, 2019
Uninsured and collateral held by pledging bank's trust department not in the District's name.	\$ 2,619,996

**Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2019 is measured at 100.54% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the County of Orange Auditor-Controller's Office, Hall of Finance and Records, 12 Civic Center Plaza, Room 200, Santa Ana, California, 92702.

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2019 consists of the following:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 4: ACCOUNTS RECEIVABLE**

<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Building Fund</u>	Non-Major	Total	<u>Self-Insurance</u>	<u>Agency Funds</u>
			Governmental	Governmental		
			Funds	Funds	Fund	
Federal and state	\$ 6,002,625	\$ -	\$ 374,091	\$ 6,376,716	\$ -	\$ -
Miscellaneous	796,881	105,909	54,816	957,606	17,225	446
Total accounts receivable	<u>\$ 6,799,506</u>	<u>\$ 105,909</u>	<u>\$ 428,907</u>	<u>\$ 7,334,322</u>	<u>\$ 17,225</u>	<u>\$ 446</u>

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

**Interfund Receivables/Payables**

Individual interfund receivable and payable balances at June 30, 2019 are temporary loans and are detailed as follows:

<u>Fund</u>	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 97,636	\$ 1,952,199
Building Fund	36,508	-
Non-Major Governmental Funds:		
Cafeteria Fund	28,475	97,534
County Schools Facilities Fund	118,001	-
Special Reserve for Capital Outlay Projects	650,000	-
Proprietary Funds:		
Internal Service	1,119,278	165
Total	<u>\$ 2,049,898</u>	<u>\$ 2,049,898</u>

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Intra-fund activity has been eliminated.

Interfund transfers for the 2018-19 fiscal year are as follows:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 5: INTERFUND TRANSACTIONS**

Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects to cover costs	\$ 650,000
Transfer from the General Fund to the Self-Insurance fund to fund normal expenditure costs	1,100,000
Transfer from the Debt Service Agency Fund for Special Tax Bonds to the Capital Projects Fund for Blended Component Units to cover administrative costs	<u>20,000</u>
Total	<u><u>\$ 1,770,000</u></u>

**NOTE 6: FUND BALANCES**

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Cash in revolving fund	\$ 75,000	\$ -	\$ 10,712	\$ 85,712
Inventories	<u>57,535</u>	<u>-</u>	<u>25,309</u>	<u>82,844</u>
Total nonspendable	<u>132,535</u>	<u>-</u>	<u>36,021</u>	<u>168,556</u>
Restricted:				
Legally restricted programs	4,196,830	-	-	4,196,830
Child nutrition program	-	-	1,909,937	1,909,937
Debt service	-	-	13,478,364	13,478,364
Capital projects	<u>-</u>	<u>45,996,925</u>	<u>5,247,081</u>	<u>51,244,006</u>
Total restricted	<u>4,196,830</u>	<u>45,996,925</u>	<u>20,635,382</u>	<u>70,829,137</u>
Assigned:				
Deferred maintenance program	18,898	-	-	18,898
Postemployment benefits	8,302,657	-	-	8,302,657
Other assignments	<u>6,123,429</u>	<u>-</u>	<u>-</u>	<u>6,123,429</u>
Total assigned	<u>14,444,984</u>	<u>-</u>	<u>-</u>	<u>14,444,984</u>
Unassigned:				
Economic uncertainties	5,061,812	-	-	5,061,812
Unassigned	<u>42,765,570</u>	<u>-</u>	<u>-</u>	<u>42,765,570</u>
Total unassigned	<u>47,827,382</u>	<u>-</u>	<u>-</u>	<u>47,827,382</u>
Total fund balance	<u><u>\$ 66,601,731</u></u>	<u><u>\$ 45,996,925</u></u>	<u><u>\$ 20,671,403</u></u>	<u><u>\$ 133,270,059</u></u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

Capital asset activity for the year ended June 30, 2019 is shown below.

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 3,485,921	\$ -	\$ -	\$ 3,485,921
Construction in progress	44,247,436	46,966,332	(30,565,516)	60,648,252
Total capital assets not being depreciated	<u>47,733,357</u>	<u>46,966,332</u>	<u>(30,565,516)</u>	<u>64,134,173</u>
Capital assets being depreciated:				
Buildings and improvements	238,815,878	30,874,862	-	269,690,740
Equipment	20,083,225	2,627,318	(53,202)	22,657,341
Total capital assets being depreciated	<u>258,899,103</u>	<u>33,502,180</u>	<u>(53,202)</u>	<u>292,348,081</u>
Less accumulated depreciation for:				
Buildings and improvements	(69,953,698)	(8,100,059)	-	(78,053,757)
Equipment	(13,521,530)	(1,776,567)	53,202	(15,244,895)
Total accumulated depreciation	<u>(83,475,228)</u>	<u>(9,876,626)</u>	<u>53,202</u>	<u>(93,298,652)</u>
Depreciable assets, net	<u>175,423,875</u>	<u>23,625,554</u>	<u>-</u>	<u>199,049,429</u>
Governmental activities capital assets, net	<u>\$ 223,157,232</u>	<u>\$ 70,591,886</u>	<u>\$ (30,565,516)</u>	<u>\$ 263,183,602</u>

**NOTE 8: LONG-TERM OBLIGATIONS – SCHEDULE OF CHANGES**

A schedule of changes in long-term obligations for the year ended June 30, 2019 is shown below.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due in One Year
Capital leases	\$ 78,496	\$ -	\$ 35,948	\$ 42,548	\$ 36,392
Certificates of participation (COP)	19,295,000	-	645,000	18,650,000	670,000
Unamortized COP premium	1,766,791	-	92,989	1,673,802	-
General obligation bonds	169,665,000	21,000,000	7,200,000	183,465,000	6,365,000
Unamortized bond premium	12,265,773	2,335,981	750,983	13,850,771	-
Compensated absences	1,347,837	7,508	-	1,355,345	-
Postemployment healthcare benefits	54,408,513	2,959,349	75,119	57,292,743	-
Net pension liability	152,111,743	3,981,169	721,980	155,370,932	-
Early retirement incentive	549,140	-	274,570	274,570	274,570
Total	<u>\$ 411,488,293</u>	<u>\$ 30,284,007</u>	<u>\$ 9,796,589</u>	<u>\$ 431,975,711</u>	<u>\$ 7,345,962</u>

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, and early retirement benefits. Postemployment healthcare benefits and net pension liabilities are liquidated through contributions from the funds reporting salaries. General obligation debt is liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. The certificates of participation are liquidated through redevelopment property tax funds.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 9: LEASES**

**Capital Leases**

The District leases equipment valued at approximately \$178,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2020	\$ 36,708
2021	<u>6,167</u>
Total	42,875
Less amount representing interest	<u>(327)</u>
Present value of net minimum lease payments	<u>\$ 42,548</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

**NOTE 10: CERTIFICATES OF PARTICIPATION**

On September 1, 2015, the Foundation issued \$20,525,000 of Certificates of Participation (the 2015 Certificates). The proceeds of the 2015 Certificates were used to advance refund outstanding Certificates of Participation associated with the issuance of debt in March 15, 2007 (the 20007 Certificates). The proceeds of the 2015 Certificates, including a premium of \$2,945,748 and net of issuance and other costs, were deposited to an escrow fund. The principal balance of the 2007 Certificates of \$22,255,000 and interest was redeemed in full on September 1, 2017 by the refunding escrow agent.

The premium received on the 2015 Certificates is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt. The difference between the reacquisition price and the net carrying amount of the 2007 Certificates is deferred and amortized as a component of interest expense using the straight-line method over the life of the new debt. The payment to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,855,139. Amortization of \$84,326 was recognized during the 2018-19 year.

Lease payments are required to be deposited into a lease payment fund maintained by the trustee. Interest is payable on March 1 and September 1 of each year commencing March 1, 2016; principal payments are payable on September 1 of each year commencing September 1, 2016 with final maturity on September 1, 2036. Interest rates range from 3.00% to 5.00%. Payments to the trustee will be made by the District from redevelopment funds.



**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 10: CERTIFICATES OF PARTICIPATION**

Year Ending June 30,	Principal	Interest
2020	\$ 670,000	\$ 841,175
2021	705,000	810,150
2022	740,000	774,025
2023	780,000	736,025
2024	815,000	696,150
2025-2029	4,765,000	2,807,000
2030-2034	5,960,000	1,605,963
2035-2037	4,215,000	323,125
Total	<u>\$ 18,650,000</u>	<u>\$ 8,593,613</u>

**NOTE 11: GENERAL OBLIGATION BONDS**

**Measure AA**

On November 7, 2000, the voters approved the issuance of bonds, not to exceed \$67,940,000, to repair/upgrade and improve all District comprehensive schools acquire/construct additional classrooms, science/computer labs, restrooms, libraries and school facilities to alleviate overcrowding and accommodate enrollment growth, address building safety/health issues.

**2002 Series A**

On September 4, 2002, the District offered for sale the 2002 General Obligation Bonds, Series A of \$37,997,910 of capital appreciation bonds. Prior to the maturity date, the bonds will accrete interest on the principal component. Proceeds from the 2010 General Obligation Refunding Bonds were used to advance refund certain maturities of the bonds.

**2010 General Obligation Refunding Bonds**

On September 1, 2010, the District offered for sale \$29,120,000 General Obligation Refunding Bonds. The bonds were issued to refund a portion of the District's 2002 General Obligation Bonds, Series A. A premium received of \$2,938,643 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

**2013 General Obligation Refunding Bonds**

On May 14, 2013, the District offered for sale \$21,700,000 General Obligation Refunding Bonds. The bonds were issued to advance refund certain outstanding general obligation bonds of the District. A premium received of \$3,986,816 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 11: GENERAL OBLIGATION BONDS**

**Measure I**

On November 4, 2014, the voters approved the issuance of bonds, not to exceed \$175,000,000, to upgrade classrooms, science labs, sites, facilities; repair roofs, floors, plumbing, heating, ventilation, and electrical systems; improve student safety and security; upgrade career training facilities and technology infrastructure.

**2015 Series A**

On October 28, 2015 the District issued \$42,500,000 of 2014 General Obligation Bonds, Series A. A premium received of \$2,557,423 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

**2017 Series B**

On April 26, 2017 the District issued \$40,000,000 of 2014 General Obligation Bonds, Series B. A premium received of \$2,198,565 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

**2018 Series C**

On April 25, 2018 the District issued \$48,000,000 of 2018 General Obligation Bonds, Series C. A premium received of \$3,504,461 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

**2019 Series D**

On February 27, 2019 the District issued \$21,000,000 of 2019 General Obligation Bonds, Series D. A premium received of \$2,335,981 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 11: GENERAL OBLIGATION BONDS**

The outstanding general obligation bonded debt of the District at June 30, 2019 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2019
Measure AA:					
2010 Refunding	9/1/2010	8/1/2027	2.0-3.8	\$ 29,120,000	\$ 21,625,000
2013 Refunding	5/14/2013	8/1/2029	2.0-5.0	21,700,000	19,420,000
Total Measure AA				<u>50,820,000</u>	<u>41,045,000</u>
Measure I:					
Series A	10/28/2015	8/1/2040	2.5-5.0	42,500,000	37,195,000
Series B	4/26/2017	8/1/2041	3.3-5.0	40,000,000	36,225,000
Series C	4/25/2018	8/1/2042	3.4-5.0	48,000,000	48,000,000
Series D	2/27/2019	8/1/2042	3.5-5.5	21,000,000	21,000,000
Total Measure I				<u>151,500,000</u>	<u>142,420,000</u>
Total				<u>\$ 202,320,000</u>	<u>\$ 183,465,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 6,365,000	\$ 7,378,584
2021	6,175,000	7,170,163
2022	5,750,000	6,916,913
2023	4,635,000	6,690,838
2024	5,100,000	6,472,325
2025-2029	35,070,000	27,925,607
2030-2034	31,165,000	19,949,013
2035-2039	42,310,000	12,949,990
2040-2043	46,895,000	3,457,973
Total	<u>\$ 183,465,000</u>	<u>\$ 98,911,406</u>

**NOTE 12: NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances by the Community Facility District, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of the \$1,330,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

The District administers a single-employer defined benefit, post-employment medical benefit plan for qualified employees. In addition some qualified certificated employees are participant in the Medicare Premium Payment Program, a cost-sharing defined benefit program administered through the California State Teachers' Retirement System (CalSTRS).

As of June 30, 2019, the District's total liability for post-employment healthcare benefits consisted of the following:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
OPEB Plan				
Retiree Benefits Plan	\$ 56,534,860	\$ 1,199,662	\$ -	\$ 4,682,046
Medicare Premium Payment Program	757,883	-	-	(73,111)
	<u>\$ 57,292,743</u>	<u>\$ 1,199,662</u>	<u>\$ -</u>	<u>\$ 4,608,935</u>

The details of the plans are as follows:

**Postemployment Healthcare Benefits Plan**

**Plan Description and Eligibility**

The Plan provides health, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 76 retirees and beneficiaries currently receiving benefits, and 1052 active Plan members. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each bargaining period. The Plan does not issue a separate financial report.

**Funding Policy**

The District currently finances benefits on a pay-as-you-go basis. As of June 30, 2019, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors. The District contributes 100 percent of the cost equivalent to the premium of HMO single coverage. For the year ended June 30, 2019, the District contributed \$2,371,439 to the plan. Contributions include an implicit rate subsidy of \$899,593.

**Total OPEB Liability**

At June 30, 2019 the total OPEB liability was \$56,534,860.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Actuarial Methods and Assumptions**

*Actuarial assumptions*

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2017. The following actuarial assumptions used in the June 30, 2017 valuation, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Salary increases	2.75%
Healthcare costs trend rate	7.00%

Mortality assumptions are based on the 2015 CalSTRS mortality experience study for certificated employee types and the 2017 CalPERS mortality experience study for the classified employee types.

Actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience turnover tables 2015 CalSTRS termination Rates for certificated employee types and 2017 CalPERS termination rates for classified employee types.

*Discount Rate*

The discount rate used to measure the OPEB liability was 2.79%. The projection of cash flows used to determine the discount rate was based on the 20 year municipal bond yield, specifically the S&P Municipal Bond 20 Year High Grade Rate Index. There are no plan assets.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2018	\$ 53,575,511
Service Cost	2,868,535
Interest Cost	1,646,958
Changes in assumptions	815,295
Benefit payments	(2,371,439)
Balance at June 30, 2019	<u>\$ 56,534,860</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Sensitivity*

The following present the District's OPEB liability calculated using the discount rate of 2.79% as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Discount rate	Total OPEB Liability
1% decrease (1.79%)	\$ 60,932,032
Current discount rate (2.79%)	56,534,860
1% increase (3.79%)	52,328,997

The following present the District's OPEB liability calculated using the healthcare cost trend rate of 7.0%, as well as what the OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Healthcare trend rate	Total OPEB Liability
1% decrease (6.00%)	\$ 49,979,767
Current healthcare trend rate (7.00%)	56,534,860
1% increase (8.00%)	64,261,488

**Amortization of Deferred Outflows of Resources**

At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following source:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,199,662	\$ -
Total	\$ 1,199,662	\$ -

The deferred outflows of resources related to the OPEB liability are amortized over the average working lifetime of active and inactive participants which was calculated at 8.69 years. This amount will be amortized to offset pension expense as follows:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

<u>Year Ending June 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 166,553
2021	166,553
2022	166,553
2023	166,553
2024	166,553
Thereafter	366,897
	<u>\$ 1,199,662</u>

**Medicare Premium Payment Program (MPP)**

**Plan Description and Eligibility**

The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to California state statute. CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible California full-time and part-time public school teachers from pre-kindergarten through community college who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program. For the years ending June 30, 2018 and 2017, 5,984 and 6,271 retirees participated in the MPP Program, respectively. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be pre-determined.

**Funding Policy**

The MPP Program is funded on a pay-as-you go basis from a portion of monthly employer contributions. In accordance with California Education Code, contributions that would otherwise be credited to the CalSTRS defined benefit pension program (STRP) each month are instead credited to the MPP Program to fund monthly program and administrative costs. These contributions are generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds remaining within the MPP Program as of June 30, 2018 were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program. Total aggregate employer contributions of all participating employers to the MPP Program for fiscal year 2017-18 were \$28.2 million.

Because amounts credited to the MPP Program are deducted from the employer's regular STRP contributions, there are no contribution rates specific to the MPP Plan. Employer contributions to the STRP are calculated by CalSTRS based on creditable compensation for active members reported by employers. Employer contributions are accrued when required by statute, and the employer has made a formal commitment to provide the contributions. Cash remittances of contributions due are received from employers prior to their reports of creditable earnings by member. As a result, CalSTRS accrues employer contributions due monthly using current contribution rates and estimates based on historical creditable compensation. CalSTRS recognizes MPP Program expenses when due and payable.

**Net OPEB Liability**

As of June 30, 2019, the District reported a net OPEB liability for its proportionate share of the MPP total OPEB liability, fiduciary net position and net OPEB liability as follows:

	Balance
	June 30, 2019
Proportionate Share of OPEB Liability	
Total OPEB liability	\$ 754,833
Plan fiduciary net position	(3,050)
District's net OPEB liability	<u>\$ 757,883</u>

As the MPP Program is funded on a pay-as-you-go basis from redirected contributions from the STRP, the District has elected to calculate their proportionate share based on Schedule C of the audited proportionate share schedules of the MPP Program. This schedule presents the projection of the District's long-term share of contributions to the STRP relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.1980%.

**Actuarial Methods and Assumptions**

The June 30, 2018 total OPEB liability for the MPP Program was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018 using the assumptions listed in the following table:



**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

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Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal
Experience Study	July 1, 2010 through June 30, 2015
Investment Rate of Return	3.87%
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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 our 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.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (for example, Medicare premiums) and assumptions about the probability of occurrence of events far into the future (for example, mortality, disabilities and retirees eligible for the program). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective and take into account the premiums and surcharges paid after termination of employment until the death of the employee. In many cases, actuarial calculations reflect several decades of payments after termination of employment.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018 and 2017 was 3.87 percent and 3.58 percent, respectively. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent and 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018 and 2017, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

The following table presents the net OPEB liability of employers as of June 30, 2018, using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Discount rate	Net OPEB Liability
1% decrease (2.87%)	\$ 838,257
Current discount rate (3.87%)	757,883
1% increase (4.87%)	685,312

**Medicare Costs Trend Rate**

The June 30, 2017, valuation uses the 2018 Medicare Part A and Part B premiums as the basis for future premium calculations. Future premiums are assumed to increase with a medical trend rate that varies by year. The Part A trend is approximately equivalent to assuming a fixed 3.7 percent increase each year. The Part B trend is approximately equivalent to assuming a fixed 4.1 percent increase each year.

The following table presents as of June 30, 2018, the net OPEB liability of employers using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are 1 percent lower and 1 percent higher than the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease (2.7% Part A, 3.1% Part B)	\$ 691,113
Current healthcare trend rate (3.7% Part A, 4.1% Part B)	757,883
1% increase (4.7% Part A, 5.1% Part B)	829,693

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources are the consumption of net position by CalSTRS that is applicable to future reporting periods. As the MPP Program is a retiree only OPEB plan with no average remaining service life, other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in OPEB expense in the current period. The net deferred inflows and outflows relating to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. As of June 30, 2018, the deferred outflows of resources and deferred inflows of resources related to the MPP Program are not material and have not been recognized in these financial statements:

**MPP Program Net OPEB Liability**

Detailed information about the MPP Program net OPEB liability is available in a separate financial report available on the CalSTRS website. Copies of the CalSTRS annual financial report may also be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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).

As of June 30, 2019, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 115,802,820	\$ 29,280,539	\$ 12,538,978	\$ 11,617,210
CalPERS (Schools Pool Plan)	39,568,112	10,320,710	476,935	6,863,666
Total	\$ 155,370,932	\$ 39,601,249	\$ 13,015,913	\$ 18,480,876

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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

**Contributions**

Required member, District and State of California contribution 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. The

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

contribution rates for each plan for the year ended June 30, 2019 are presented above and the total District contributions were \$10,931,159.

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

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

	Balance June 30, 2019
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 115,802,820
State's proportionate share of the net pension liability associated with the District	66,302,855
Total	\$ 182,105,675

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.1260%.

For the year ended June 30, 2019, the District recognized pension expense of \$11,617,210. In addition, the District recognized revenue and corresponding expense of \$7,789,090 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 10,931,159	\$ -
Differences between expected and actual experience	359,100	1,682,100
Changes of assumptions	17,990,280	-
Changes in proportion	-	6,397,738
Net differences between projected and actual earnings on pension plan investments	-	4,459,140
Total	\$ 29,280,539	\$ 12,538,978

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 year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2018 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2020	\$ 2,179,831
2021	509,071
2022	(2,529,417)
2023	2,233,417
2024	3,434,510
2025	(17,010)
Total	<u>\$ 5,810,402</u>

**Actuarial Methods and Assumptions**

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

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 14: EMPLOYEE RETIREMENT PLANS**

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 and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset	Long-term
	Allocation	Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Fixed income	12%	0.30%
Risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that 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%) 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 the 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:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 169,637,580
Current discount rate (7.10%)	115,802,820
1% increase (8.10%)	71,168,580

**Plan Fiduciary Net Position**

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

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

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**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 5 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 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.



**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
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	18.062%	18.062%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019 are as presented above and the total District contributions were \$3,451,521.

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

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the CalPERS net pension liability totaling \$39,568,112. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.1484%.

For the year ended June 30, 2019, the District recognized pension expense of \$6,863,666. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 3,451,521	\$ -
Differences between expected and actual experience	2,593,941	-
Changes of assumptions	3,950,701	-
Changes in proportion	-	476,935
Net differences between projected and actual earnings on pension plan investments	324,547	-
Total	\$ 10,320,710	\$ 476,935

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 year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2018 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2020	\$ 3,712,548
2021	3,027,104
2022	(82,049)
2023	(265,349)
Total	\$ 6,392,254

**Actuarial Methods and Assumptions**

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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

Actuarial Methods and Assumptions

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90 percent of scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
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% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

statutory contribution rates. Based on these assumptions, the Schools Pool Plan 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%)	\$ 57,609,279
Current discount rate (7.15%)	39,568,112
1% increase (8.15%)	24,600,381

**Changes of Assumptions**

During the fiscal year of the measurement date of June 30, 2018, the CalPERS Board adopted new mortality assumptions for the plan. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

**Plan Fiduciary Net Position**

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**NOTE 15: EARLY RETIREE INCENTIVE**

In 2015-16, the District elected to provide a voluntary early retirement program. Certificated Non-Management employees who were employed by the District as of May 3, 2016 and had 5 years of District service who were eligible to retire under STRS (age 55 with 5 years of STRS service or age 50 with 30 years of STRS service) as of June 30, 2016 were eligible for the incentive. 24 qualified employees elected to participate in the incentive by retiring after completion of the 2015-16 school year.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 15: EARLY RETIREE INCENTIVE**

The total contributions of \$1,372,850 will be made in five equal annual installments of \$274,570 beginning July 20, 2016 and ending July 19, 2020. The first payment was made in June 2016, in advance of the initial installment date. The remaining balance at June 30, 2019 is \$274,570 and is expected to be paid prior to June 30, 2020.

**NOTE 16: INTERNAL SERVICE FUND**

The District is self-insured under the California Education Code Section 39602 for general liability, commercial property, workers' compensation and certain employee medical benefit claims. The District has obtained insurance coverage through a combination of commercial insurance and intergovernmental risk pooling that will cover claims within the following ranges to supplement its self-insurance program:

<b>Insurance Program</b>	<b>Limits</b>
General liability	\$25,000 per occurrence up to \$25,000,000
Property	\$5,000 per occurrence up to \$105,000,000
Workers' compensation	Occurrences exceeding \$500,000 up to statutory limits
Employers' liability	\$250,000 per occurrence up to \$10,000,000
Employee vision and dental benefits	Occurrences up to \$2,200 per employee yearly

The self-insurance activity for the dental program and the excess insurance, workers' compensation/employers' liability has been recorded in the Internal Service Fund. There were no claims settled in 2019 which exceeded the excess insurance amount. Changes in the claims liability for workers' compensation in fiscal years 2018-19 were as follows:

	Beginning Fiscal	Current Year Claims and Changes in	Claim Payments	Ending Fiscal
<u>Reported Liability</u>	<u>Year Liability</u>	<u>Estimates</u>	<u>Claim Payments</u>	<u>Year Liability</u>
Worker's compensation	\$ 5,077,931	\$ 1,093,438	\$ 1,093,438	\$ 5,077,931
Dental program	105,479	1,398,023	1,398,023	105,479
	<u>\$ 5,183,410</u>	<u>\$ 2,491,461</u>	<u>\$ 2,491,461</u>	<u>\$ 5,183,410</u>

**NOTE 17: JOINT POWERS AGREEMENTS**

The District participates in three joint powers agreement (JPA) entities, the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Schools' Excess Liability Fund (SELF), and the Self-Insured Schools of California (SISC) public risk pools. The District also participates in a joint venture under a joint power agreement with North Orange County Regional Occupational program (NOCROP).

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 17: JOINT POWERS AGREEMENTS**

Alliance of Schools for Cooperative Insurance Programs (ASCIP) arranges for and provides property and liability insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested. ASCIP is governed by a board consisting of 25 elected members and alternatives.

The Schools' Excess Liability Fund (SELF) arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 32 elected voting members, elected alternates and two ex-official members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's Board of Directors and shares surpluses and deficits proportionately to its participation in SELF.

Self-Insured Schools of California (SISC) provides health and welfare benefits for its member school districts.

North Orange County Regional Occupational Program (NOCROP) provides occupational training for high school students and adults residing in the member districts.

Each JPA is governed by a board consisting of representatives from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. In addition, each JPA is independently accountable for its fiscal matters. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information for the year ended June 30, 2019 is as follows:

	ASCIP 6/30/2018 (Audited)	SELF 6/30/2018 (Audited)	SISC III 9/30/2018 (Audited)	NOCROP 6/30/2018 (Audited)
JPA Condensed Financial Information				
Total assets and deferred outflows	\$ 456,430,170	\$ 119,189,945	\$ 642,346,557	\$ 19,867,902
Total liabilities and deferred inflows	252,027,535	101,092,632	197,341,183	987,497
Fund balance	<u>\$ 204,402,635</u>	<u>\$ 18,097,313</u>	<u>\$ 445,005,374</u>	<u>\$ 18,880,405</u>
Total revenues	\$ 268,017,322	\$ 15,368,115	\$ 2,314,300,371	\$ 17,246,880
Total expenditures	257,576,745	19,699,829	2,236,274,883	17,125,031
Change in fund balance	<u>\$ 10,440,577</u>	<u>\$ (4,331,714)</u>	<u>\$ 78,025,488</u>	<u>\$ 121,849</u>

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

### **NOTE 18: COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

At time, the District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

#### **State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

#### **County School Facilities Funds**

The District is currently involved in modernization projects funded through the State School Facilities Program. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

#### **Purchase Commitments**

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$14.6 million. Projects will be funded through Bond Proceeds and redevelopment pass-through distributions.

### **NOTE 19: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019 that have future effective dates. The following pronouncements will impact the District's financial reporting; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

#### ***Statement No. 84 – Fiduciary Activities***

Issued in January 2017, 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 activities and (2) the beneficiary with whom a fiduciary relationship exists. The statement is effective for the fiscal year 2019-20.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 19: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

***Statement No. 87 – Leases***

This statement was issued in June 2017 and addresses accounting and financial reporting for leases by governments. This statement requires 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, 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. The statement is effective for the fiscal year 2020-21.

***Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61***

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

***Statement No. 91 – Conduit Debt Obligations***

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.



**REQUIRED SUPPLEMENTARY INFORMATION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2019**

	Budgetary Amounts - General		Actual	(a) Fund Basis	Actual
	Fund		Amounts	to GAAP	Amounts
	Original	Final	General Fund		GAAP Basis
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 82,914,727	\$ 63,053,525	\$ 63,075,387	\$ -	\$ 63,075,387
Local sources	<u>52,057,756</u>	<u>74,239,653</u>	<u>74,239,651</u>	-	<u>74,239,651</u>
Total local control funding formula sources:	134,972,483	137,293,178	137,315,038	-	137,315,038
Federal sources	5,827,122	7,998,221	6,982,133	-	6,982,133
Other state sources	17,353,333	16,334,540	21,220,595	-	21,220,595
Other local sources	<u>8,699,743</u>	<u>16,020,526</u>	<u>16,836,472</u>	<u>222,915</u>	<u>17,059,387</u>
<b>Total Revenues</b>	<u>166,852,681</u>	<u>177,646,465</u>	<u>182,354,238</u>	<u>222,915</u>	<u>182,577,153</u>
<b>Expenditures</b>					
Certificated salaries	66,715,776	69,503,104	68,563,429	-	68,563,429
Classified salaries	19,983,479	21,084,030	20,861,461	-	20,861,461
Employee benefits	41,912,822	42,679,408	49,072,137	-	49,072,137
Books and supplies	13,617,195	13,067,895	8,633,558	75,294	8,708,852
Services and other operating expenditures	12,669,116	18,130,891	16,383,790	758,812	17,142,601
Capital outlay	2,754,235	3,646,910	3,209,642	308,997	3,518,639
Other outgo and indirect costs	4,930,148	5,959,037	5,902,590	-	5,902,590
Debt service	<u>36,708</u>	<u>36,708</u>	<u>36,708</u>	-	<u>36,708</u>
<b>Total Expenditures</b>	<u>162,619,479</u>	<u>174,107,983</u>	<u>172,663,315</u>	<u>1,143,103</u>	<u>173,806,417</u>
Excess of revenues over expenditures	<u>4,233,202</u>	<u>3,538,482</u>	<u>9,690,923</u>	<u>(920,188)</u>	<u>8,770,736</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in (b)	805,177	-	-	-	-
Interfund transfers out	<u>(962,031)</u>	<u>(2,750,000)</u>	<u>(2,750,000)</u>	<u>1,000,000</u>	<u>(1,750,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(156,854)</u>	<u>(2,750,000)</u>	<u>(2,750,000)</u>	<u>1,000,000</u>	<u>(1,750,000)</u>
Net change in fund balances	<u>\$ 4,076,348</u>	<u>\$ 788,482</u>	6,940,923	79,812	7,020,736
<b>Fund Balance - Beginning of Year</b>			<u>48,444,025</u>	<u>11,136,970</u>	<u>59,580,995</u>
<b>Fund Balance - End of Year</b>			<u>\$ 55,384,948</u>	<u>\$ 11,216,782</u>	<u>\$ 66,601,731</u>

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund, Special Reserve Fund for Other than Capital Outlay, and the Special Reserve Fund for Postemployment Benefits Fund.

(b) Interfund activity between the General Fund and the Deferred Maintenance Fund is eliminated.

See the accompanying notes to the required supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS – RETIREE BENEFITS PLAN**  
**For the Fiscal Year Ended June 30, 2019**

Total OPEB Liability - Retiree Health Plan	2018	2019
Beginning balance	\$ 50,388,008	\$ 53,575,511
Changes for the year		
Service cost	2,928,786	2,868,535
Interest cost	1,637,733	1,646,958
Changes in assumptions	622,561	815,295
Expected benefit payments	<u>(2,001,577)</u>	<u>(2,371,439)</u>
Net changes	<u>3,187,503</u>	<u>2,959,349</u>
Ending balance	<u>\$ 53,575,511</u>	<u>\$ 56,534,860</u>
Covered-employee payroll	80,637,172	77,229,402
Total OPEB liability as a percentage of covered-employee payroll	66%	73%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
AND RELATED RATIOS – MEDICARE PREMIUM PAYMENT PLAN  
For the Fiscal Year Ended June 30, 2019**

<u>Total OPEB Liability - Medicare Premium Payment Program</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.198%	0.198%
District's proportionate share of the net OPEB liability	833,002	757,883
Covered-employee payroll	N/A	N/A
Net OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%	-0.40%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

Plan participants are limited to retirees; therefore covered-employee payroll is not applicable.

See the accompanying notes to the required supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

**For the Fiscal Year Ended June 30, 2019**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability (assets)	0.1450%	0.1280%	0.1280%	0.1260%	0.1260%
District's proportionate share of the net pension liability (asset)	\$ 84,733,650	\$ 86,174,720	\$ 103,527,680	\$ 116,524,800	\$ 115,802,820
State's proportionate share of the net pension liability (asset) associated with the District	51,166,350	45,576,805	58,945,139	68,935,649	66,302,855
Total	<u>\$ 135,900,000</u>	<u>\$ 131,751,525</u>	<u>\$ 162,472,819</u>	<u>\$ 185,460,449</u>	<u>\$ 182,105,675</u>
District's covered payroll	\$ 61,200,000	\$ 61,700,000	\$ 65,500,000	\$ 67,800,000	\$ 68,600,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	138%	140%	158%	172%	169%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%	71%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

**For the Fiscal Year Ended June 30, 2019**

<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.1665%	0.1576%	0.1477%	0.1491%	0.1484%
District's proportionate share of the net pension liability	\$ 18,901,804	\$ 23,230,396	\$ 29,170,841	\$ 35,586,943	\$ 39,568,112
District's covered payroll	\$ 17,400,000	\$ 17,500,000	\$ 17,200,000	\$ 18,800,000	\$ 19,100,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	109%	133%	170%	189%	207%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%	71%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
For the Fiscal Year Ended June 30, 2019**

<u>State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 5,489,463	\$ 7,032,883	\$ 8,530,519	\$ 9,905,356	\$ 10,931,159
Contributions in relation to the contractually required contributions	<u>5,489,463</u>	<u>7,032,883</u>	<u>8,530,519</u>	<u>9,905,356</u>	<u>10,931,159</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 61,700,000	\$ 65,500,000	\$ 67,800,000	\$ 68,600,000	\$ 67,100,000
Contributions as a percentage of its covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 2,062,164	\$ 2,032,987	\$ 2,621,751	\$ 2,958,788	\$ 3,451,521
Contributions in relation to the contractually required contributions	<u>2,062,164</u>	<u>2,032,987</u>	<u>2,621,751</u>	<u>2,958,788</u>	<u>3,451,521</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,500,000	\$ 17,200,000	\$ 18,800,000	\$ 19,100,000	\$ 19,100,000
Contributions as a percentage of its covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2019

### **NOTE 1: PURPOSE OF SCHEDULES**

#### **Schedule of Budgetary Comparison For The General Fund**

A budgetary comparison is presented for the General Fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year-end, actual amounts at fiscal year-end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

#### **Schedule of Changes In The Total OPEB Liability and Related Ratios – Retiree Benefits Plan**

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pension associated with the District's retiree benefits plan. The District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors.

Benefit changes – None

Changes of Assumptions - The municipal bond rate at June 30, 2018 was 2.98% and 2.79% at June 30, 2019.

#### **Schedule of Changes in The Net OPEB Liability and Related Ratios – Medicare Premium Payment Plan**

The schedule is intended to show trends about the changes in the District's actuarially determined proportionate share of the liability for postemployment benefits other than pension associated with the Medicare Premium Payment Plan.

#### **Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS – Schools Plan**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

#### **Schedules of District Contributions – STRP and PERS – Schools Plan**

The 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, 10 years of information will be presented.



**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2019**

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations, by major object account, occurred in the General Fund as follows:

<u>Object account</u>	<u>Amount</u>
Employee benefits*	\$ 6,392,729

\*The excess of expenditures over appropriations for employee benefits occurred primarily due to on-behalf payments made by the State of California to the State Teachers' Retirement System and the Public Employees' Retirement System that were not budgeted.

**SUPPLEMENTARY INFORMATION**

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2019

The Fullerton Joint Union High School District (the District) was established in 1893 under the laws of the State of California and consists of an area comprising approximately 55 square miles. 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/or Federal agencies. The District operates six high schools, one continuation high school, and one alternative high school.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2019 were as follows:

### **BOARD OF TRUSTEES**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Joanne Fawley	President	November 30, 2020
Andy Montoya	Clerk	November 30, 2020
Marilyn Buchi	Member	November 30, 2022
Chester Jeng	Member	November 30, 2022
Lauren Klatzker	Member	November 30, 2022

### **DISTRICT ADMINISTRATORS**

Scott Scambray, Ed.D.	Superintendent
Ed Atkinson	Assistant Superintendent – Human Services
Joan Velasco	Assistant Superintendent – Business Services
Sylvia Kaufman	Assistant Superintendent - Education and Assessment Services
Karl Zener	Executive Director – Administrative Services

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2019**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2019 are as follows:

	Revised	
	<u>Second Period</u>	<u>Annual</u>
Grades nine through twelve:		
Regular ADA	13,047	12,980
Extended year special education	16	16
Special education - nonpublic, nonsectarian schools	15	16
Extended year special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades nine through twelve ADA	<u><u>13,079</u></u>	<u><u>13,013</u></u>

See the accompanying notes to the supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2019**

<u>Grade Level</u>	<u>Minute Requirement</u>	<u>Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	65,160	180	In Compliance
Grade 10	64,800	65,160	180	In Compliance
Grade 11	64,800	65,160	180	In Compliance
Grade 12	64,800	65,160	180	In Compliance

See the accompanying notes to the supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2019**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>United States Department of Agriculture</b>			
Pass-Through Program From The California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-Especially Needy Breakfast	10.553	13391	\$ 743,290
Child Nutrition Program-Lunch	10.555	13391	1,440,667
Child Nutrition Program-Snacks	10.555	13391	463,306
Child Nutrition Program-Commodities	10.555	13391	115,141
Subtotal: Child Nutrition Cluster			<u>2,762,404</u>
Child Nutrition Program-Child and Adult Care Food Program	10.558	13389	2,164
Total: United States Department of Agriculture			<u>2,764,568</u>
<b>United States Department of Defense</b>			
Junior Reserve Officer Training Corp (JROTC)	12.000	(1)	620,457
Total: United States Department of Defense			<u>620,457</u>
<b>United States Department of Education</b>			
Pass-Through Program From The North Orange County SELPA:			
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,860,464
Basic Local Assistance Entitlement, Part B, Section 611 - Private School	84.027	10115	10,336
Mental Health Services, Part B	84.027A	14468	509,915
Subtotal: Special Education (IDEA) Cluster			<u>2,380,715</u>
Pass-Through Program From The California Department of Education:			
Every Student Succeeds Act:			
Title I, Part A - Low Income and Neglected	84.010	14329	2,827,996
Title II, Part A - Improving Teacher Quality	84.367	14341	545,037
Title III - Limited English Proficiency	84.365	14346	125,142
Career and Technical Education - Secondary	84.048	14894	279,092
Total: United States Department of Education			<u>6,157,982</u>

See the accompanying notes to the supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2019**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>United States Department of Health and Human Services</b>			
Pass-Through Program From The California Department of Education:			
Medi-Cal Billing Option	93.778	10013	<u>64,788</u>
Total: United States Department of Health and Human Services			<u>64,788</u>
<b>Total Federal Programs</b>			<u>\$ 9,607,795</u>
<b>Reconciliation to Federal Revenue</b>			
Total Federal Program Expenditures			\$ 9,607,795
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal	93.778		<u>138,906</u>
Total Federal Program Revenue			<u>\$ 9,746,701</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See the accompanying notes to the supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Fiscal Year Ended June 30, 2019**

	2020 (Budgeted)	2019	2018	2017
Revenue	\$ 168,441,524	\$ 182,354,238	\$ 165,229,671	\$ 165,239,695
Other sources and transfers in	805,177	-	805,177	849,978
<b>Total revenue and other sources</b>	<u>169,246,701</u>	<u>182,354,238</u>	<u>166,034,848</u>	<u>166,089,673</u>
Expenditures	169,431,713	172,663,315	156,178,635	162,732,407
Other uses and transfers out	1,650,000	2,750,000	3,645,189	2,799,037
<b>Total expenditures and other uses</b>	<u>171,081,713</u>	<u>175,413,315</u>	<u>159,823,824</u>	<u>165,531,444</u>
Change in fund balance	(1,835,012)	6,940,923	6,211,024	558,229
Ending fund balance	<u>\$ 53,549,936</u>	<u>\$ 55,384,948</u>	<u>\$ 48,444,025</u>	<u>\$ 42,233,001</u>
Available reserve	<u>\$ 48,224,538</u>	<u>\$ 47,827,382</u>	<u>\$ 36,914,964</u>	<u>\$ 27,503,726</u>
Available reserve %	28.5%	27.7%	23.6%	16.9%
ADA	<u>12,892</u>	<u>13,079</u>	<u>13,265</u>	<u>13,425</u>
Total long term debt	<u>\$ 424,629,749</u>	<u>\$ 431,975,711</u>	<u>\$ 411,488,293</u>	<u>\$ 311,857,096</u>

The amounts above are those reported as General Fund in the *Annual Financial and Budget Report* and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends a 3% reserve of total General Fund expenditures, transfers out and other uses. The District has met this requirement for all years presented.

The 2020 budget is the original budget adopted on June 18, 2019.



**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2019**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT  
WITH THE AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

There were no differences between the fund balances reported on the June 30, 2019 *Annual Financial and Budget Report* for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2019

### **NOTE 1: PURPOSE OF SCHEDULES**

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance 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 met or exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46207 through 46208.

#### **Schedule of Expenditures of Federal Awards**

##### **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 governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

##### **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

##### **Payments to Subrecipients**

The District did not make any payments to subrecipients.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2019**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Financial Trends and Analysis**

The *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if the District has met the recommended available reserve percentages.

**Schedule of Charter Schools**

The *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

**OPTIONAL SUPPLEMENTARY INFORMATION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

**June 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Assets</b>							
Cash in county treasury	\$ 1,735,179	\$ 3,050,868	\$ 130,056	\$ 1,331,368	\$ 17,395	\$ 13,432,505	\$ 19,697,371
Cash in revolving fund	10,712	-	-	-	-	-	10,712
Cash awaiting deposit	927	-	-	-	-	-	927
Accounts receivable	374,091	6,029	299	2,595	34	45,859	428,907
Due from other funds	28,475	-	118,001	650,000	-	-	796,476
Inventories	25,309	-	-	-	-	-	25,309
<b>Total Assets</b>	<b>\$ 2,174,693</b>	<b>\$ 3,056,897</b>	<b>\$ 248,356</b>	<b>\$ 1,983,963</b>	<b>\$ 17,429</b>	<b>\$ 13,478,364</b>	<b>\$ 20,959,702</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 78,745	\$ 54,464	\$ 5,032	\$ 67	\$ 1	\$ -	\$ 138,309
Due to other funds	97,534	-	-	-	-	-	97,534
Unearned revenue	52,456	-	-	-	-	-	52,456
<b>Total Liabilities</b>	<b>228,735</b>	<b>54,464</b>	<b>5,032</b>	<b>67</b>	<b>1</b>	<b>-</b>	<b>288,299</b>
<b>Fund Balances</b>							
Nonspendable	36,021	-	-	-	-	-	36,021
Restricted	1,909,937	3,002,433	243,324	1,983,896	17,428	13,478,364	20,635,382
<b>Total Fund Balances</b>	<b>1,945,958</b>	<b>3,002,433</b>	<b>243,324</b>	<b>1,983,896</b>	<b>17,428</b>	<b>13,478,364</b>	<b>20,671,403</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,174,693</b>	<b>\$ 3,056,897</b>	<b>\$ 248,356</b>	<b>\$ 1,983,963</b>	<b>\$ 17,429</b>	<b>\$ 13,478,364</b>	<b>\$ 20,959,702</b>

See the accompanying notes to the optional supplementary section.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Revenues</b>							
Federal sources	\$ 2,764,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,764,568
Other state sources	184,767	-	-	-	-	64,791	249,558
Other local sources	561,959	1,659,729	4,820	27,527	539	11,093,453	13,348,027
<b>Total Revenues</b>	<u>3,511,294</u>	<u>1,659,729</u>	<u>4,820</u>	<u>27,527</u>	<u>539</u>	<u>11,158,244</u>	<u>16,362,153</u>
<b>Expenditures</b>							
Pupil services	3,133,701	-	-	-	-	-	3,133,701
General administration	97,534	3,412	-	-	-	-	100,946
Plant services	53,562	170,373	125	801	3,111	-	227,972
Other outgo	-	1,038,264	-	-	-	-	1,038,264
Debt service	-	-	-	-	-	13,554,093	13,554,093
<b>Total Expenditures</b>	<u>3,284,797</u>	<u>1,212,049</u>	<u>125</u>	<u>801</u>	<u>3,111</u>	<u>13,554,093</u>	<u>18,054,976</u>
Excess (deficiency) of revenues over expenditures	<u>226,497</u>	<u>447,680</u>	<u>4,695</u>	<u>26,726</u>	<u>(2,572)</u>	<u>(2,395,849)</u>	<u>(1,692,823)</u>
<b>Other Financing Sources</b>							
Proceeds from sale of bonds	-	-	-	-	-	2,335,981	2,335,981
Interfund transfers in	-	-	-	650,000	20,000	-	670,000
Interfund transfers out	-	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>20,000</u>	<u>2,335,981</u>	<u>3,005,981</u>
Net changes in fund balance	226,497	447,680	4,695	676,726	17,428	(59,868)	1,313,158
<b>Fund Balances at Beginning of Year</b>	<u>1,719,461</u>	<u>2,554,753</u>	<u>238,629</u>	<u>1,307,170</u>	<u>-</u>	<u>13,538,232</u>	<u>19,358,245</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,945,958</u>	<u>\$ 3,002,433</u>	<u>\$ 243,324</u>	<u>\$ 1,983,896</u>	<u>\$ 17,428</u>	<u>\$ 13,478,364</u>	<u>\$ 20,671,403</u>

See the accompanying notes to the optional supplementary section.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2019**

**NOTE 1: PURPOSE OF SCHEDULES**

**Combining Fund Financial Statements**

A combining fund balance sheet and statement of revenues, expenditures and changes in fund balance has been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.



**OTHER INDEPENDENT AUDITOR'S REPORT**



**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  
Fullerton Joint Union High School District  
Fullerton, 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 the Fullerton Joint Union High School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2019.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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

**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***

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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.



CliftonLarsonAllen LLP  
Glendora, California  
December 3, 2019



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

Board of Trustees  
Fullerton Joint Union High School District  
Fullerton, California

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

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The District’s response to the noncompliance finding identified in our audits is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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

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

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, 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, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
December 3, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Fullerton Joint Union High School District  
Fullerton, California

We have audited the Fullerton Joint Union High School District's (the District) compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas 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.

## INDEPENDENT AUDITOR’S REPORT ON STATE 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 the laws and regulations applicable to the following items:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No <sup>1</sup>
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	No <sup>2</sup>
Mode of Instruction	No <sup>2</sup>
Nonclassroom Based Instruction/Independent Study	No <sup>2</sup>
Determination of Funding for Nonclassroom Based Instruction	No <sup>2</sup>
Annual Instructional Minutes – Classroom Based	No <sup>2</sup>
Charter School Facility Grant Program	No <sup>2</sup>

<sup>1</sup>We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

<sup>2</sup>The District is not the granting agency for any Charter Schools.



# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

## **Opinion on State Compliance**

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

## **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, California  
December 3, 2019

## **FINDINGS AND QUESTIONED COSTS**

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS  
June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major federal awards:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?   X   Yes        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 2 CFR 200.516(a)?   X   Yes        No

**Identification of Major Federal Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2019**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINANCIAL STATEMENTS**

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2019.

**FEDERAL AWARDS**

**Finding 2019-001 – Suspension and Debarment** **50000**

**Type of Finding:** Significant Deficiency in Internal Control Over Compliance, Other Matter

**Federal Program:** Special Education Cluster

**CFDA Number:** 84.027

**Federal Award Number & Year:** Information not readily available

**Federal Agency:** U.S. Department of Education

**Name of Pass-Through Agency:** California Department of Education

**Compliance Requirement Affected:** Suspension and debarment (I)

**Repeat Finding:** Not a repeat finding.

**Criteria:** When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and the agencies adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. Covered transactions include procurement contracts for goods and services awarded that are expected to equal or exceed \$25,000 or meet other criteria as specified in 2 CFR section 180.220.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2019**

**Condition:** The District did not verify if vendors were suspended or debarred before entering into a covered transaction.

**Context:** There were a total of 15 vendors with contracts equaling or exceeding \$25,000.

**Effect:** The District is not in compliance with 2 CFR Section 180.220.

**Cause:** Unknown.

**Questioned Costs and Units:** None reported. Vendors tested were not suspended or debarred.

**Recommendation:** The District should establish procedures to verify that vendors are not suspended or debarred before entering into a covered transaction.

**Views of responsible officials and planned corrective actions:** The District has implemented procedures in the 2019/20 fiscal year to correct this compliance issue. District staff are now following procedures to verify that the District is not using vendors who either are suspended, or debarred using the SAM.gov website.

**STATE COMPLIANCE**

There were no findings and questioned costs related to state awards for the year ended June 30, 2019.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

There were no findings and questioned costs related to the year ended June 30, 2018.

**CONTINUING DISCLOSURE INFORMATION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**

**June 30, 2019**

Assessed valuation for fiscal year 2018-19	\$34,274,49,678
Secured tax levies for fiscal year 2018-19	\$ 51,897,574
Secured tax delinquencies for fiscal year 2018-19	\$ 342,133
Secured tax collections for fiscal year 2018-19	\$ 51,555,441

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1. Comref So Ca Industrial Sub A & P LLC	Industrial	\$ 153,443,021	0.45 %
2. The Source at Beach LLC	Commercial	148,769,073	0.43
3. Centerpoint Properties Trust	Commercial	133,926,000	0.39
4. FHF I Amerige Pointe LLC	Apartments	117,300,000	0.34
5. Alticor Inc.	Industrial	109,671,315	0.32
6. CVS Pharmacy Inc.	Industrial	104,372,814	0.30
7. Advanced Group 16-114	Apartments	100,980,000	0.29
8. La Habra Associates LLC	Commercial	98,677,963	0.29
9. University House Fullerton LLC	Apartments	91,275,947	0.27
10. Rreef America REIT II Corp.	Industrial	88,730,487	0.26
11. Fairfield 951 Beach LLC	Apartments	81,470,460	0.24
12. Fullerton Luxury Rentals LLC	Apartments	79,184,220	0.23
13. Corecare III	Apartments	78,945,697	0.23
14. PRI Buena Park Industrial CA LLC	Industrial	77,120,160	0.23
15. Aspect Acquisition LLC	Apartments	74,899,005	0.22
16. The Realty Associates Fund XI LP	Industrial	71,730,443	0.21
17. La Habra Westridge Partners LP	Commercial	68,125,143	0.20
18. PSIP WR Fullerton LLC	Commercial	66,276,461	0.19
19. SFERS Real Esate Corp, RR	Industrial	65,629,700	0.19
20. BRE-FMCA LLC	Apartments	59,732,714	0.17
Total Top 20		<u>\$ 1,870,260,623</u>	<u>5.45 %</u>

Source: California Municipal Statistics, Inc.

(1) % of local secured assessed valuation: \$34,274,409,678



