

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

Board of Trustees  
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, 2018, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

### **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*

Board of Trustees  
Fullerton Joint Union High School District

*Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards and the combining non-major fund financial statements, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements is fairly stated in all material respects in relation to the financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 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  
November 29, 2018

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018. 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 \$130.3 million (\$59.2 million in state LCFF and \$71.1 million in local taxes) in 2017/18 as compared with \$129.5 million (\$63.8 million in state LCFF and \$65.7 million in local taxes) in 2016/17. This represents an increase of \$0.8 million.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- Federal, Other State, & Local Sources – The district received and reported in 2017/18 approximately \$36.9 million in Federal, Other State, & Local Revenue in the General Fund compared to \$36.9 million in 2016/17.
- Collective bargaining agreements with all employee groups were settled through June 30, 2018. 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 the 2017/18 school year. On March 22, 2018 a new term agreement was also reached with CSEA, for the period July 1, 2018 through June 30, 2021.

These agreements incorporated a 2.5% on-salary schedule increase effective July 1, 2017. For the 2018/19 school year the on-salary schedule increase, effective July 1, 2018, was 0.65%.

- For the 2018/19 and 2019/20 school years, 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 \$120,061,041 for 2018/19 and \$122,248,820 for 2019/20. For these calculations the ADA will remain constant at the 2017/18 Second Interim Report numbers of 13,443.18 ADA for 2018/19 and 13,366.37 ADA for 2019/20.
- 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, and the third series of bonds (\$48.0 million) were sold in April 2018.

### ***REPORTING THE DISTRICT AS A WHOLE***

#### **The Statement of Net Position and the Statement of Activities**

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the 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.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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.

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.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

**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.

**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**

**June 30, 2018**

**Table 1**

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Current and Other Assets	\$ 173,466,322	\$ 163,455,244
Capital Assets	223,157,232	180,975,741
<b>Total Assets</b>	396,623,554	344,430,985
 <b>Deferred Outflows of Resources</b>	 44,908,584	 26,850,173
 <b>Liabilities</b>		
Current Liabilities	32,683,067	34,448,768
Long-term Liabilities	403,332,775	304,342,012
<b>Total Liabilities</b>	436,015,842	338,790,780
 <b>Deferred Inflows of Resources</b>	 14,991,101	 14,436,225
 <b>Net Position</b>		
Net Investment in Capital Assets	89,304,416	87,657,603
Legally Restricted	26,557,374	20,986,435
Unrestricted	(125,336,595)	(90,589,885)
<b>Total Net Position</b>	\$ (9,474,805)	\$ 18,054,153

The District's net position was (\$9,474,805) for the fiscal year ended June 30, 2018, reflecting a decrease from prior year of \$27,528,958. Of this amount, \$26,557,374 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 (\$125,336,595) 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, 2018, unrestricted net position decreased \$34,746,710 as compared to June 30, 2017.

In addition, the increase in long-term obligations and deferred inflows and outflows of resources is directly related to the implementation of GASB Statement No. 75 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, 2018**

**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>2017-18</u>	<u>2016-17</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 443,839	\$ 492,548
Operating Grants and Contributions	30,189,502	29,413,961
Capital Grants and Contributions	3,784	3,662
General Revenues:		
Property Taxes	83,267,702	76,047,670
Federal and State Aid Unrestricted	64,865,891	70,229,935
Interest, Investment and Miscellaneous	<u>7,794,656</u>	<u>6,789,460</u>
<b>Total Revenues</b>	<u>186,565,374</u>	<u>182,977,236</u>
 <b>Expenses</b>		
Instruction and Related Services	111,396,208	116,502,811
Pupil Services	20,855,722	21,262,701
Ancillary, Community, and Enterprise Activities	2,288,497	1,237,011
General Administration	8,304,986	6,264,783
Plant Services	19,183,976	19,166,492
Other Outgo	7,500,418	8,106,565
Debt Service-Interest	5,681,457	4,222,114
Depreciation (unallocated)	<u>5,127,655</u>	<u>5,059,780</u>
<b>Total Expenses</b>	<u>180,338,919</u>	<u>181,822,257</u>
 Change in Net Position	<u>6,226,455</u>	<u>1,154,979</u>
 <b>Net Position - Beginning, as originally stated</b>	<u>18,054,153</u>	<u>16,899,174</u>
<b>Adjustment for cumulative effect of change     in accounting principle (Note 18)</b>	<u>(33,755,413)</u>	<u>-</u>
<b>Net Position - Beginning of Year, as restated</b>	<u>(15,701,260)</u>	<u>16,899,174</u>
<b>Net Position - End of Year</b>	<u>\$ (9,474,805)</u>	<u>\$ 18,054,153</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2018**

As shown above in Table 2, the cost of all governmental activities in fiscal year 2017/18 was \$180,338,919. Federal and state unrestricted revenues totaled \$64,865,891, local property tax revenue totaled \$83,267,702, and other local revenues – including contributions and donations totaled \$7,794,656.

**THE DISTRICT'S FUNDS**

As the District completed this year, governmental funds reported a combined fund balance of \$148,157,484, which is an increase of \$11,722,607 from the prior year (see Table 3 below).

**Table 3**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues	\$ 185,955,265	\$ 182,872,262
Expenditures	<u>223,097,776</u>	<u>197,377,140</u>
Deficiency	(37,142,511)	(14,504,878)
Other Financing Sources (net)	<u>48,865,118</u>	<u>42,218,565</u>
Net Change in Fund Balance	11,722,607	27,713,687
Beginning Fund Balance	<u>136,434,877</u>	<u>108,721,190</u>
Ending Fund Balance	<u>\$ 148,157,484</u>	<u>\$ 136,434,877</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 capital projects as further described on page –x– and debt service on general obligation bonds for these improvements.
- Issuance of \$48.0 million in Measure I, Series C 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 2016/17 to 2017/18:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2018**

**Table 4**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
Revenues	\$ 167,107,330	\$ 166,339,755	\$ 767,575
Expenditures	(158,008,771)	(164,604,438)	(6,595,667)
Other Financing Uses	<u>(3,645,189)</u>	<u>(2,808,621)</u>	<u>836,568</u>
Net Change in Fund Balance	5,453,370	(1,073,304)	6,526,674
Fund Balances at Beginning of Year	<u>54,127,625</u>	<u>55,200,929</u>	<u>(1,073,304)</u>
Fund Balance at End of Year	<u>\$ 59,580,995</u>	<u>\$ 54,127,625</u>	<u>\$ 5,453,370</u>

The primary reasons for the decrease in expenditures include:

- A decrease in classified salaries expense due to a retroactive payroll recorded in the 2016-17 year.
- A decrease in books and supplies due to textbook implementation and chrome books in the 2016-17 year.

**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 57. 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, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2018, the District had \$223,157,232 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 \$42,181,491. 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, 2018</u>	<u>June 30, 2017</u>
Land and Construction in Progress	\$ 47,733,357	\$ 18,064,128
Buildings and Improvements, Furniture and Equipment, Vehicles	258,899,103	242,490,025
Less Accumulated Depreciation	<u>(83,475,228)</u>	<u>(79,578,412)</u>
Total	<u>\$ 223,157,232</u>	<u>\$180,975,741</u>

**Long-Term Obligations**

At the end of the fiscal year, the District had \$411,488,293 in long-term obligations versus \$311,857,096 the prior fiscal year. This increase is primarily attributable to the increase in General Obligation Bond Debt of approximately \$48,000,000 from the sale of Measure I, Series C bonds, the third series attributable to the \$175 million General Obligation Bond measure authorized by the voters in November 2014. In addition, Net Pension Liability and Postemployment healthcare benefits increased by \$19,413,222 and \$36,849,236 respectively. Additional information on these increased can be found at Note 13, Note 14, and Note 18.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**June 30, 2018**

**Table 6**

	<u>June 30, 2018</u>	<u>June 30, 2017*</u>
General Obligation Bond Debt	\$ 169,665,000	\$128,245,000
Unmatured Premium (GO Bond)	12,265,773	9,366,271
Certificates of Participation (COP's)	19,295,000	19,920,000
Unmatured Premium (COP's)	1,766,791	1,859,780
Capital Leases	78,496	114,010
Compensated Absences	1,347,837	1,270,527
Early Retirement Incentive	549,140	823,710
Net Pension Liability	152,111,743	132,698,521
Other Post-Employment Benefits	<u>54,408,513</u>	<u>51,314,690</u>
Total	<u>\$ 411,488,293</u>	<u>\$345,612,509</u>

\* The July 1, 2017 balance has been restated by \$33,755,413 for the cumulative effect of the adoption of Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This includes the District's Postemployment Medical Benefits Plan and the Medicare Premium Payment Program. See note 18.

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 the District's bonding capacity. For fiscal year 2017/18 the District's assessed valuation was \$33,418,644,862 and the statutory bonding capacity was \$417,733,060. Outstanding general obligation debt totaled \$169,665,000, providing a remaining bonding capacity of \$248,068,060.

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**

- All six of the District's Schools were ranked in *US News & World Report's* Top 2,000 high schools in the nation:

	<u>State Rank</u>	<u>National Rank</u>
Troy High School	51	326
Sunny Hills High School	104	599
Sonora High School	197	1,081
Buena Park High School	237	1,279
La Habra High School	333	1,753
Fullerton Union High School	321	1,711

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- Troy High School in 2018 was named by Niche.com as #3 Best Public High School in California, #1 Best Public High School in Orange County, #1 Best Public High School in Los Angeles Area, #28 Best College Prep Public High Schools in America, and #33 Best Public High School in America.

In addition to these prestigious awards, Troy High School also received the following ratings from US News and World Report of being a 2018 Gold Medal School ranked #32 in STEM, #51 in California High Schools, and #65 in Magnet High School in the Nation. The school's students also became the 2018 Science Olympiad National Champions; placed second at the 2018 JROTC Cyber Patriot National competition and received the 2017-2018 California Honor Roll award from Educational Results Partnership Campaign for Business and Education Excellence.

- Sixty-six percent of the Sunny Hills High School students participated in Advanced Placement course work and exams. The Accolade and Helios are Sunny Hills High School's newspaper and yearbook. They were honored as the best newspaper and yearbook combination in Orange County. The girls' basketball team won the Southern California Regional Championship and their head coach Jae Byun was named Orange County Girls Basketball Coach of the Year. Additionally, Keith Nighswonger was named Girls Water Polo Coach of the Year 2018. This high school has a ninety-nine percent graduation rate.
- In fall of 2010, Sonora High School became a school-wide Title I Program. This designation continues today and provides greater opportunities to the entire at-risk student body population. A critical aspect of the school-wide Title I Program designation is the consolidation of State and Federal Funding. As a comprehensive high school, Sonora offers a wide range of subjects and programs to meet students' varying needs and interests. All students take the core curriculum to meet graduation requirements and to prepare them for college/career post-secondary education. Special programs existed for students with identified special needs. Sonora also offers a variety of extracurricular activities for the student body, and students are encouraged to make a connection to the school that included co- and extra-curricular involvement in sports, student government and leadership, i-PaTh, Agricultural Sciences, Digital Media Arts Academy, Medical Careers Academy, Army JROTC, Sports Medicine, and/or membership in some of the 30+ student clubs.

Sonora continues to focus on student achievement through a variety of curricular and programmatic initiatives funded by our District and LCAP. The school followed the "intervention" model, in which all students take college preparatory level courses, and students who needed remediation or further assistance were placed in an additional intervention class. This approach, taken throughout the last several years, has significantly reduced the negative effects of English class tracking and has allowed the

## FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

offered in mathematics and English Language Arts. Sonora administrators and faculty will continue to implement the research-based instructional strategies that have effectively raised student achievement at SOHS while focusing on the data and needs of each and every student.

Sonora High School earned a 6 Year Accreditation from the Western Association of Schools and Colleges (WASC). The school earned one of the first Gold Ribbon School Awards for their iPaTh Program, a Title I School Award from the California Department of Education and they were one of five schools in the Nation to receive and implement the Equity and Excellence (E2) Grant for our International Baccalaureate (IB) Program.

- Buena Park High School's Early College Program continues to be a magnet program for students around the Southern California area, allowing students to gain UC/CSU transferable college credit prior to high school graduation. BPHS increased the number of students taking Advanced Placement tests, the total of AP tests taken, and the overall passage rate this past year. In addition, the school added the prestigious AP Capstone Diploma Program to its course offerings, garnering a 77% pass rate during its first year of AP Seminar. The schools graduation rate remained almost 99%, with most of the population attending two-year or four-year public and private colleges.

Buena Park High School boasts Presidential Scholars as well as Questbridge recipients; students now attending prestigious colleges such as Cornell, Stanford, Berkeley, Northwestern, Tufts, as well as many local amazing universities such as USC, UCLA, UCI, and a myriad of CSUs. The school maintains a high caliber, award winning Visual/Performing Arts Pathways, as well as Career Technical Education (CTE) Pathways that propel students to higher education and careers. The schools Agriscience Program (#1 in the Western US), AFJROTC (distinguished unit), Culinary, Video Production, Visual Communications, and Sports Medicine; as well as a newly designed Computer Science/Engineering Program that incorporates a coding/AP Computer Science Principles and AP Computer Science coursework, along with Robotics and Artificial Intelligence (A.I.) Design pathways.

- La Habra High School's HiSTEP program (a school-wide intervention program) hit a new high for student achievement with a 30% drop in D/F grades. This program is in its 7<sup>th</sup> year and has resulted in 1,938 fewer students with D/F grades, and eighty-four percent of student earning grades of C or better. US News awarded La Habra High School a Silver Medal for a 7<sup>th</sup> consecutive year; Newsweek listed La Habra High School as a Top 1,000 School in the Nation, and the school was a 2018 California Honor Roll Award Winner for the first time in the school's history.

La Habra High School received their fourth Phelps Grant in eight years and used the funds to purchase a new Fitness Center. This Fitness Center will supplement their Physical Education curriculum, as well as allow more student athletes to train and

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

develop healthy lifestyles. La Habra High School has implemented an Advanced Placement Computer Science and Coding Pathway classes which has students passing with a grade of eighty-two percent or higher. For the 5<sup>th</sup> time in recent history, the school's Theater Guild has had one of their students receive the Southern California best actor recognition. The student received a scholarship and earned a trip to perform on Broadway. La Habra High School Band also received a Silver Award at the NYC festival.

- Fullerton Union High School is very proud to celebrate their 125th Anniversary. They have had many celebrations honoring their rich traditions and history. They celebrated their homecoming by honoring three Alumni and inducting them into their Wall of Fame as well as hosting an Alumni Open House. Fullerton Union High School has felt the benefit of bond monies with upgrades throughout the campus, especially the complete renovation of their Arts Building, which added a Black Box Theater increasing their performance space to three areas, and a Gallery space which allows us to showcase the wonderful art our students create. Their theater director was named as the President of the California Educational Theater Association and his experience and connections continue to benefit the students in getting them college and career ready. They have grown other programs as well, by adding a Computer Science Program and expanding their BEAST (Biology, Engineering, Arts, Science, and Technology) program, which will include a Chemistry class component next year. The Fullerton Union High School Speech and Debate program continues to be successful and continues to win National Titles! All of their hard work came through and they are still on the Silver Medal list for US News and World Report's Best High Schools List for the 2018 school year!
- La Sierra's Adult Transition Program received the Grazer Outstanding Achievement Award (GOAL) from the California Advisory Commission on Special Education. Only one California program is honored with this prestigious GOAL Award each year. La Sierra independent study teacher, Lisa Valdes, was named the Co-District Teacher of the Year. La Sierra's Opportunity Program and La Vista High School successfully launched three Career Technical Education (CTE) pathways: Video Production, Graphic Production Technologies and Child Development. The Graphic Production Technologies Program received a Phelps Grant and used the funds to purchase a print-to-garment press further enhancing the CTE experiences for the students in this pathway. This is the seventh Phelps Grant awarded to La Vista/La Sierra. La Vista piloted an ELD program for thirty ELD students who were too far behind to graduate. 100% of the students are now on track to earn their high school diploma.
- Advanced Placement (AP) participation and pass rates are at an all-time high Districtwide.
- The District's 2017/18 attendance rate for its comprehensive high schools was 96 percent.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**June 30, 2018**

**Economic Factors that may affect the Future**

**State Budget and 2018/19 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.

Below is information related to projected LCFF amounts:

	2018/19	2019/20	2020/21
COLA	3.7%	2.57%	2.67%
LCFF Amount	\$137,078,931	\$138,114,960	\$139,585,331

**Projected Student Average Daily Attendance** – District ADA is projected to decline in the 2018/19 school year. The District’s CALPADS October 2018 enrollment count shows a decrease of 295 students from prior year numbers. The District’s funded P-2 ADA shows a decrease of 271 students from prior year numbers. The 2018/2019 Enrollment and ADA estimates will be revised as new information is received. Since the District is in declining enrollment, the 2018/2019, 2019/2020, and 2020/2021 Local Control Funding Formula revenues will be calculated based on prior year numbers.

**Lottery** – Lottery income for years 2018/19, 2019/20 and 2020/21 is based on estimates from the State Department of Education, the Orange County Department of Education, and School Services of California. Projected 2018/19 lottery income by School Services of California was \$151 per ADA for unrestricted uses and \$53 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 2018/19. Based on current estimates, the General Fund contribution in

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2018**

support of various Special Education programs in 2018/19 will be approximately \$9,435,555 million.

***Ending Fund Balance Projection*** – The District's 2017/18 ending fund balance and projected 2018/19, 2019/20 and 2020/21 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](mailto:jvelasco@fjuhsd.org)

**FINANCIAL SECTION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2018**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 167,281,873
Cash and cash equivalents	347,489
Accounts receivable	5,746,096
Inventories	90,864
Land	3,485,921
Construction in progress	44,247,436
Depreciable assets, net	<u>175,423,875</u>
<b>Total Assets</b>	<u><u>396,623,554</u></u>
 <b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	1,602,176
Deferred outflows - OPEB	550,920
Deferred outflows - pensions	<u>42,755,488</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>44,908,584</u></u>
 <b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	13,730,930
Accrued interest	2,739,710
Unearned revenue	2,873,499
Claims liability (IBNR)	5,183,410
Current portion of long-term liabilities	8,155,518
Non-current portion of long term liabilities	<u>403,332,775</u>
<b>Total Liabilities</b>	<u><u>436,015,842</u></u>
 <b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pensions	<u>14,991,101</u>
 <b><u>Net Position</u></b>	
Net investment in capital assets	89,304,416
Restricted for:	
Capital projects	4,100,552
Debt service	12,400,698
Educational programs	8,378,578
Other programs	1,677,546
Unrestricted	<u>(125,336,595)</u>
<b>Total Net Position</b>	<u><u>\$ (9,474,805)</u></u>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2018**

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	\$ 96,502,686	\$ -	\$ 18,663,396	\$ 3,784	\$ (77,835,506)
Instruction - related services	14,893,522	-	1,202,658	-	(13,690,864)
Pupil services	20,855,722	423,187	6,982,468	-	(13,450,067)
Ancillary services	2,245,783	-	18,692	-	(2,227,091)
Enterprise activities	42,714	-	182	-	(42,532)
General administration	8,304,986	20,652	881,114	-	(7,403,220)
Plant services	19,183,976	-	843,809	-	(18,340,167)
Other outgo	7,500,418	-	1,597,183	-	(5,903,235)
Debt service - interest	5,681,457	-	-	-	(5,681,457)
Depreciation (unallocated)	5,127,655	-	-	-	(5,127,655)
<b>Total Governmental Activities</b>	<u>\$ 180,338,919</u>	<u>\$ 443,839</u>	<u>\$ 30,189,502</u>	<u>\$ 3,784</u>	<u>(149,701,794)</u>
<b>General Revenues</b>					
Property taxes levied for					
General purposes					71,107,363
Debt service					12,160,339
Federal and state aid not restricted to specific purposes					64,865,891
Interest and investment earnings					1,592,357
Miscellaneous					6,182,299
Internal transfers					20,000
<b>Total General Revenues and Special Items</b>					<u>155,928,249</u>
Change in net position					6,226,455
Net Position - Beginning of Year, as originally stated					<u>18,054,153</u>
Adjustment for cumulative effect of change in accounting principle (Note 18)					<u>(33,755,413)</u>
Net Position - Beginning of Year, as restated					<u>(15,701,260)</u>
Net Position - End of Year					<u>\$ (9,474,805)</u>

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash in county treasury	\$ 65,249,966	\$ 76,446,826	\$ 19,579,058	\$ 161,275,850
Cash in revolving fund	50,000	-	10,712	60,712
Cash with fiscal agent	85,821	-	-	85,821
Cash awaiting deposit	-	-	956	956
Accounts receivable	5,493,722	130,936	112,173	5,736,831
Due from other funds	170,106	3,572	25,105	198,783
Inventories	61,567	-	29,297	90,864
<b>Total Assets</b>	<b><u>\$ 71,111,182</u></b>	<b><u>\$ 76,581,334</u></b>	<b><u>\$ 19,757,301</u></b>	<b><u>\$ 167,449,817</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,046,436	\$ 7,363,090	\$ 157,403	\$ 13,566,929
Due to other funds	2,660,048	-	198,127	2,858,175
Unearned revenue	2,823,703	-	43,526	2,867,229
<b>Total Liabilities</b>	<b><u>11,530,187</u></b>	<b><u>7,363,090</u></b>	<b><u>399,056</u></b>	<b><u>19,292,333</u></b>
<b>Fund Balances</b>				
Nonspendable	111,567	-	40,009	151,576
Restricted	6,659,117	69,218,244	19,316,330	95,193,691
Assigned	15,895,347	-	1,906	15,897,253
Unassigned	36,914,964	-	-	36,914,964
<b>Total Fund Balances</b>	<b><u>59,580,995</u></b>	<b><u>69,218,244</u></b>	<b><u>19,358,245</u></b>	<b><u>148,157,484</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 71,111,182</u></b>	<b><u>\$ 76,581,334</u></b>	<b><u>\$ 19,757,301</u></b>	<b><u>\$ 167,449,817</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, 2018**

Total fund balances - governmental funds \$ 148,157,484

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	44,247,436	
Depreciable assets, net	<u>175,423,875</u>	223,157,232

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	(78,496)	
Certificates of Participation (COPS)	(21,061,791)	
General obligation bonds	(181,930,773)	
Compensated absences	(1,347,837)	
Postemployment healthcare benefits	(54,408,513)	
Net pension liability	(152,111,743)	
Early retirement incentive	<u>(549,140)</u>	(411,488,293)

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	1,602,176	
Deferred outflows - OPEB	550,920	
Deferred outflows - pensions	42,755,488	
Deferred inflows - pensions	<u>(14,991,101)</u>	29,917,483

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	8,874,680	
Less: Liabilities	<u>(5,353,681)</u>	3,520,999

Interest expense payable related to general obligation bonds and COPS was incurred but is not accrued in governmental funds as of June 30, 2018. (2,739,710)

Total net position - governmental activities \$ (9,474,805)

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, 2018**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>				
Local control funding formula sources:				
State apportionments	\$ 59,179,413	\$ -	\$ -	\$ 59,179,413
Local sources	71,106,853	-	-	71,106,853
Total local control funding formula sources	<u>130,286,266</u>	<u>-</u>	<u>-</u>	<u>130,286,266</u>
Federal sources	6,463,367	-	2,811,450	9,274,817
Other state sources	15,078,638	-	295,927	15,374,565
Other local sources	14,545,886	2,477,562	13,262,996	30,286,444
<b>Total Revenues</b>	<u>166,374,157</u>	<u>2,477,562</u>	<u>16,370,373</u>	<u>185,222,092</u>
<b>Expenditures</b>				
Instruction	92,271,021	-	310,876	92,581,897
Instruction - related services	14,137,661	-	-	14,137,661
Pupil services	16,962,018	-	3,046,355	20,008,373
Ancillary services	2,188,489	-	-	2,188,489
Enterprise activities	41,667	-	-	41,667
General administration	7,798,452	-	159,522	7,957,974
Plant services	17,713,861	45,951,619	1,383,971	65,049,451
Other outgo	6,125,721	-	1,374,697	7,500,418
Debt service	36,708	1,514,597	11,347,368	12,898,673
<b>Total Expenditures</b>	<u>157,275,598</u>	<u>47,466,216</u>	<u>17,622,789</u>	<u>222,364,603</u>
Excess (deficiency) of revenues over expenditures	<u>9,098,559</u>	<u>(44,988,654)</u>	<u>(1,252,416)</u>	<u>(37,142,511)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	-	48,000,000	3,504,461	51,504,461
Interfund transfers in	-	19,975	990,746	1,010,721
Interfund transfers out	(3,645,189)	-	(4,875)	(3,650,064)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,645,189)</u>	<u>48,019,975</u>	<u>4,490,332</u>	<u>48,865,118</u>
Net changes in fund balance	5,453,370	3,031,321	3,237,916	11,722,607
<b>Fund Balances at Beginning of Year</b>	<u>54,127,625</u>	<u>66,186,923</u>	<u>16,120,329</u>	<u>136,434,877</u>
<b>Fund Balances at End of Year</b>	<u>\$ 59,580,995</u>	<u>\$ 69,218,244</u>	<u>\$ 19,358,245</u>	<u>\$ 148,157,484</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, 2018**

Net change in fund balances - total governmental funds \$ 11,722,607

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	47,537,798	
Loss on disposal of assets	(228,652)	
Depreciation expense	<u>(5,127,655)</u>	42,181,491

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		(51,504,461)
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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	6,580,000	
COP principal payments	625,000	
Capital lease principal payments	<u>35,514</u>	7,240,514

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 increase in deferred outflows of resources - pensions	17,591,815	
Net increase in net pension liability	(19,413,222)	
Net increase in deferred inflows of resources - pensions	<u>(554,876)</u>	(2,376,283)

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	550,920	
Net increase in OPEB liability	<u>(3,093,823)</u>	(2,542,903)

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	(84,324)	
Recognition of increase in accrued interest expense	(636,922)	
Amortization of general obligation bonds premium	604,959	
Amortization of COP premium	92,989	
Increase in compensated absences	(77,310)	
Decrease in early retirement incentive	<u>274,570</u>	173,962

Internal service funds are used by the District to manage Self-Insurance programs. Net income is reported with governmental activities.

1,331,528

Change in net position of governmental activities \$ 6,226,455

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
June 30, 2018**

	Governmental Activities: Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 6,006,023
Cash and cash equivalents	200,000
Accounts receivable	9,265
Due from other funds	<u>2,659,392</u>
<b>Total Assets</b>	<u>8,874,680</u>
<b><u>Liabilities</u></b>	
Accounts payable	164,001
Unearned revenue	6,270
Estimated liability for open claims incurred but not recorded	<u>5,183,410</u>
<b>Total Liabilities</b>	<u>5,353,681</u>
<b><u>Net Position</u></b>	
Restricted	<u>3,520,999</u>
<b>Total Net Position</b>	<u><u>\$ 3,520,999</u></u>

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, 2018**

	Governmental Activities: Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<b>Operating Revenues</b>	
Self-insurance premiums	\$ 18,532,870
Other miscellaneous revenues	<u>183,862</u>
<b>Total Operating Revenues</b>	<u>18,716,732</u>
<b>Operating Expenditures</b>	
Classified salaries	279,012
Employee benefits	256,670
Services and other operating expenses	<u>19,600,467</u>
<b>Total Operating Expenditures</b>	<u>20,136,149</u>
Net operating loss	<u>(1,419,417)</u>
<b>Non-Operating Revenues</b>	
Interest income	91,602
Interfund transfers in	<u>2,659,343</u>
<b>Total Non-Operating Revenues</b>	<u>2,750,945</u>
Net income	1,331,528
<b>Net Position at Beginning of Year</b>	<u>2,189,471</u>
<b>Net Position at End of Year</b>	<u><u>\$ 3,520,999</u></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, 2018**

	Governmental Activities
	Self-Insurance Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums and other revenues	\$ 17,375,414
Cash paid to/on behalf of employees	(535,682)
Cash paid to vendors for services and other operating expenses	(19,562,219)
Net cash used by operating activities	(2,722,487)
 <b>Cash Flows from Investing Activities</b>	
Interest income	88,043
Net cash provided by investing activities	88,043
 <b>Cash Flows from Financing Activities</b>	
Interfund transfer in	2,659,343
Net cash provided by financing activities	2,659,343
 Net increase in cash and cash equivalents	24,899
 Cash - July 1, 2017	6,181,124
Cash - June 30, 2018	\$ 6,206,023
 <b>Reconciliation of operating income to net cash used by operating activities</b>	
<b>Operating Loss</b>	\$ (1,419,417)
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Due from other funds	(835,673)
Accounts payable	55,110
Unearned revenue	(5,511)
Due to other funds	(500,134)
Estimated liability for open claims incurred but not recorded	(16,862)
Total adjustments	(1,303,070)
 <b>Net cash used by operating activities</b>	\$ (2,722,487)
 Cash and cash equivalents balances at June 30, 2018 consisted of the following:	
Cash in county treasury	\$ 6,006,023
Cash and cash equivalents	200,000
Total cash	\$ 6,206,023

See accompanying notes to the financial statements.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
June 30, 2018**

	Debt Service Fund for Special Tax Bonds	Associated Student Body Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Assets</u></b>			
Cash in county treasury	\$ 212,770	\$ -	\$ 212,770
Cash and cash equivalents	-	1,902,112	1,902,112
Cash with fiscal agent	128,366	-	128,366
Accounts receivable	280	-	280
Inventories	-	824	824
<b>Total Assets</b>	<u>341,416</u>	<u>1,902,936</u>	<u>2,244,352</u>
<b><u>Liabilities</u></b>			
Accounts payable	-	70,539	70,539
Funds held in trust	341,416	1,832,397	2,173,813
<b>Total Liabilities</b>	<u>\$ 341,416</u>	<u>\$ 1,902,936</u>	<u>\$ 2,244,352</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, 2018

### **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, 2018

### **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.

***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, 2018

### **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 required to be 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.

*Child Development Fund:* used to account for resources committed to child development programs.

*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.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

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

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

*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,

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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

the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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, 2018, 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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

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 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:*** results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans and the difference between expected and actual experience. 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.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

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

#### **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.

#### **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.

#### **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

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

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

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.

***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, 2018.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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

*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.

**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

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

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

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. The amount of on-behalf payments made for the District has 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.

#### **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.

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

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

#### **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 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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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

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 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, 2018, \$1,813,524 of the District's bank balance of \$2,192,055 was exposed to credit risk as follows:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 3: CASH AND CASH EQUIVALENTS**

District's Bank Balance	June 30, 2018
Uninsured and collateral held by pledging bank's trust department not in the District's name.	<u>\$ 1,813,524</u>

**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, 2018 is measured at 99.582% 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2018 consists of the following:

<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Building Fund</u>	Non-Major	Total	<u>Self-Insurance</u>	<u>Agency Funds</u>
			<u>Governmental</u>	<u>Governmental</u>		
			<u>Funds</u>	<u>Funds</u>		
Federal and state	\$ 4,406,188	\$ -	\$ 68,656	\$ 4,474,844	\$ -	\$ -
Miscellaneous	1,087,534	130,936	43,517	1,261,987	9,265	280
Total accounts receivable	<u>\$ 5,493,722</u>	<u>\$ 130,936</u>	<u>\$ 112,173</u>	<u>\$ 5,736,831</u>	<u>\$ 9,265</u>	<u>\$ 280</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, 2018 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	\$ 170,106	\$ 2,660,048
Building Fund	3,572	
Non-Major Governmental Funds:		
Child Development Fund	36	29,254
Cafeteria Fund	189	140,852
Capital Facilities Fund	24,880	3,141
Capital Project Fund for Blended Component Units		24,880
Proprietary Funds:		
Internal Service	2,659,392	
Total	<u>\$ 2,858,175</u>	<u>\$ 2,858,175</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 2017-18 fiscal year are as follows:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 5: INTERFUND TRANSACTIONS**

Transfer from the General Fund to the Child Development Fund to cover Cal-Safe student support program costs	\$	320,746
Transfer from the General Fund to the Building Fund for reimbursement of expenditures		15,100
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		2,659,343
Transfer from the Capital Facilities Fund to the Building Fund for reimbursement of expenditures		4,875
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>3,670,064</u></u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 6: FUND BALANCES**

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Cash in revolving fund	\$ 50,000	\$ -	\$ 10,712	\$ 60,712
Inventories	61,567	-	29,297	90,864
Prepaid expenditures	-	-	-	-
Total nonspendable	<u>111,567</u>	<u>-</u>	<u>40,009</u>	<u>151,576</u>
<b>Restricted:</b>				
Legally restricted programs	6,659,117	-	-	6,659,117
Child nutrition program	-	-	1,677,546	1,677,546
Debt service	-	-	13,538,232	13,538,232
Capital projects	-	69,218,244	4,100,552	73,318,796
Total restricted	<u>6,659,117</u>	<u>69,218,244</u>	<u>19,316,330</u>	<u>95,193,691</u>
<b>Assigned:</b>				
Deferred maintenance program	152,987	-	-	152,987
Postemployment benefits	8,135,793	-	-	8,135,793
Other assignments	7,606,567	-	1,906	7,608,473
Total assigned	<u>15,895,347</u>	<u>-</u>	<u>1,906</u>	<u>15,897,253</u>
<b>Unassigned:</b>				
Economic uncertainties	4,794,715	-	-	4,794,715
Unassigned	32,120,249	-	-	32,120,249
Total unassigned	<u>36,914,964</u>	<u>-</u>	<u>-</u>	<u>36,914,964</u>
<b>Total fund balance</b>	<u>\$ 59,580,995</u>	<u>\$ 69,218,244</u>	<u>\$ 19,358,245</u>	<u>\$ 148,157,484</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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

Capital asset activity for the year ended June 30, 2018 is shown below.

	Balance			Balance
	July 1, 2017	Additions	Retirements	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,485,921	\$ -	\$ -	\$ 3,485,921
Construction in progress	14,578,207	45,884,575	(16,215,346)	44,247,436
Total capital assets not being depreciated	<u>18,064,128</u>	<u>45,884,575</u>	<u>(16,215,346)</u>	<u>47,733,357</u>
Capital assets being depreciated:				
Site improvements	44,471,126	-	-	44,471,126
Buildings	180,317,964	14,026,788	-	194,344,752
Equipment	17,700,935	3,841,781	(1,459,491)	20,083,225
Total capital assets being depreciated	<u>242,490,025</u>	<u>17,868,569</u>	<u>(1,459,491)</u>	<u>258,899,103</u>
Less accumulated depreciation for:				
Site improvements	(6,530,618)	(414,680)	-	(6,945,298)
Buildings	(58,905,500)	(4,102,900)	-	(63,008,400)
Equipment	(14,142,294)	(610,075)	1,230,839	(13,521,530)
Total accumulated depreciation	<u>(79,578,412)</u>	<u>(5,127,655)</u>	<u>1,230,839</u>	<u>(83,475,228)</u>
Depreciable assets, net	<u>162,911,613</u>	<u>12,740,914</u>	<u>(228,652)</u>	<u>175,423,875</u>
Governmental activities capital assets, net	<u>\$ 180,975,741</u>	<u>\$ 58,625,489</u>	<u>\$ (16,443,998)</u>	<u>\$ 223,157,232</u>

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

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below.

	Balance			Balance	Amount Due in
	July 1, 2017 *	Additions	Reductions	June 30, 2018	One Year
Capital leases	\$ 114,010	\$ -	\$ 35,514	\$ 78,496	\$ 35,948
Certificates of participation (COP)	19,920,000	-	625,000	19,295,000	645,000
Unamortized COP premium	1,859,780	-	92,989	1,766,791	-
General obligation bonds	128,245,000	48,000,000	6,580,000	169,665,000	7,200,000
Unamortized bond premium	9,366,271	3,504,461	604,959	12,265,773	-
Compensated absences	1,270,527	77,310	-	1,347,837	-
Postemployment healthcare benefits	51,314,690	3,093,823	-	54,408,513	-
Net pension liability	132,698,521	19,413,222	-	152,111,743	-
Early retirement incentive	823,710	-	274,570	549,140	274,570
Total	<u>\$ 345,612,509</u>	<u>\$ 74,088,816</u>	<u>\$ 8,213,032</u>	<u>\$ 411,488,293</u>	<u>\$ 8,155,518</u>

\* The July 1, 2017 balance has been restated by \$33,755,413 for the cumulative effect of the adoption of Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This includes the District's Postemployment Medical Benefits Plan and the Medicare Premium Payment Program. See note 18.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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

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.

**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>
2019	\$ 36,708
2020	36,708
2021	6,167
Total	79,583
Less amount representing interest	(1,087)
Present value of net minimum lease payments	<u>\$ 78,496</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 2007 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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: CERTIFICATES OF PARTICIPATION**

refunded debt by \$1,855,139. Amortization of \$84,324 was recognized during the 2017-18 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.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 645,000	\$ 867,475
2020	670,000	841,175
2021	705,000	810,150
2022	740,000	774,025
2023	780,000	736,025
2024-2028	4,530,000	3,039,375
2029-2033	5,730,000	1,835,788
2034-2037	5,495,000	557,075
Total	<u>\$ 19,295,000</u>	<u>\$ 9,461,088</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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: GENERAL OBLIGATION BONDS**

**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.

**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.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: GENERAL OBLIGATION BONDS**

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2018</u>
Measure AA:					
2010 Refunding	9/1/2010	8/1/2027	2.0-3.8	\$ 29,120,000	\$ 23,375,000
2013 Refunding	5/14/2013	8/1/2029	2.0-5.0	21,700,000	20,080,000
Total Measure AA				<u>50,820,000</u>	<u>43,455,000</u>
Measure I:					
Series A	10/28/2015	8/1/2040	2.5-5.0	42,500,000	38,210,000
Series B	4/26/2017	8/1/2041	3.3-5.0	40,000,000	40,000,000
Series C	4/25/2018	8/1/2042	3.4-5.0	48,000,000	48,000,000
Total Measure I				<u>130,500,000</u>	<u>126,210,000</u>
Total				<u>\$ 181,320,000</u>	<u>\$ 169,665,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 7,200,000	\$ 6,369,861
2020	6,365,000	6,507,250
2021	5,995,000	6,235,950
2022	5,550,000	5,993,150
2023	4,615,000	5,773,125
2024-2028	30,880,000	24,999,782
2029-2033	30,125,000	17,361,956
2034-2038	33,975,000	11,556,587
2039-2043	44,960,000	4,078,651
Total	<u>\$ 169,665,000</u>	<u>\$ 88,876,312</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 \$1,385,000 as of June 30, 2018, 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, 2018**

**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, 2018, 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
Retiree Benefits Plan	\$ 53,575,511	\$ 550,920	\$ -	\$ 4,638,160
Medicare Premium Payment Program	833,002	-	-	(36,011)
	\$ 54,408,513	\$ 550,920	\$ -	\$ 4,602,149

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. The District contributes 100 percent of the cost equivalent to the premium of HMO single coverage For the year ended June 30, 2018, the District contributed \$1,269,355 to the plan.

**Total OPEB Liability**

At June 30, 2018 the total OPEB liability was \$53,575,511.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**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, 2018
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 2.98%. 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, 2017	\$ 50,388,008
Service cost	2,928,786
Interest cost	1,637,733
Changes in assumptions	622,561
Benefit payments	(2,001,577)
Balance at June 30, 2018	<u>\$ 53,575,511</u>

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Sensitivity*

The following present the District's OPEB liability calculated using the discount rate of 2.98% 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 (1.98%)	\$ 57,894,477
Current discount rate (2.98%)	53,575,511
1% increase (3.98%)	49,468,673

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%)	\$ 47,400,660
Current healthcare trend rate (7.00%)	53,575,511
1% increase (5%)	60,849,800

**Amortization of Deferred Outflows of Resources**

The deferred outflows of resources related to the OPEB liability resulted from assumption changes and are amortized over the average working lifetime of active and inactive participants which was calculated at 8.69 years.

Year Ending June 30,	Deferred Outflows of Resources
2019	\$ 71,641
2020	71,641
2021	71,641
2022	71,641
2023	71,641
Thereafter	192,715
	\$ 550,920

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**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 payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis. Medicare Part A premium rates for fiscal year 2016 -17 were \$411 for the period 7/1/16 through 12/13/16 and \$413 for the period January 1, 2017 through June 30, 2017. Part A and B late enrollment penalties are generally 10 percent of the respective monthly premiums rates; however, the fees charged to individual participants may be higher based on certain income thresholds.

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, 2017 and 2016, 6,271 and 6,588 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, 2017 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.

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 2016-17 were \$29.1 million.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

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, 2017, 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, 2017
<u>Proportionate Share of OPEB Liability</u>	
Total OPEB liability	\$ 833,084
Plan fiduciary net position	(82)
District's net OPEB liability	<u>\$ 833,002</u>

Given the nature of the MPP Program, not all employers have eligible participants. The program is also closed to any members retired after July 1, 2012. As such, the District elected to calculate their proportionate share based on Schedule D of the audited proportionate share schedules of the MPP Program. This schedule presents current year Medicare Part A premiums and Medicare Part A and B surcharges paid or payable to the Centers for Medicare and Medicaid Services (CMS). Medicare premiums and surcharges paid or payable to CMS are aggregated for eligible program beneficiaries based on their last contributing employer prior to retirement to establish the basis of the proportionate share calculation. At June 30, 2017, the District’s proportion was 0.143%.

*Actuarial assumptions*

The June 30, 2017 total OPEB liability for the MPP Program was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Experience Study	July 1, 2010 through June 30, 2015

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

Investment Rate of Return	3.58%
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 571 or an average of 0.32 percent of the potentially eligible population (177,763).

For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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.

*Discount Rate*

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS**

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 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 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

*Sensitivity*

The following table presents the net OPEB liability of employers as of June 30, 2017, 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 (2.58%)	\$ 746,246
Current discount rate (3.58%)	833,002
1% increase (4.58%)	922,191

*Medicare Costs Trend Rate*

The June 30, 2016, valuation uses the 2017 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, 2017, 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)	\$ 752,745
Current healthcare trend rate (3.7% Part A, 4.1% Part B)	833,002
1% increase (4.7% Part A, 5.1% Part B)	912,458

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**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, 2017, 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, 2018, 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
CaSTRS (STRP)	\$ 116,524,800	\$ 31,923,856	\$ 13,520,508	\$ 9,742,330
CalPERS (Schools Pool Plan)	35,586,943	10,831,632	1,470,593	5,386,363
Total	<u>\$ 152,111,743</u>	<u>\$ 42,755,488</u>	<u>\$ 14,991,101</u>	<u>\$ 15,128,693</u>

The details of each plan are as follows:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

**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, 2018, 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%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**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 contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were \$9,905,356.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance
Proportionate Share of Net Pension Liability	June 30, 2018
District proportionate share of net pension liability	\$ 116,524,800
State's proportionate share of the net pension liability associated with the District	68,935,649
Total	<u>\$ 185,460,449</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.1260%.

For the year ended June 30, 2018, the District recognized pension expense of \$9,742,330. In addition, the District recognized revenue and corresponding expense of \$6,939,035 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,905,356	\$ -
Differences between expected and actual experience	430,920	2,032,380
Changes of assumptions	21,587,580	-
Changes in proportion	-	8,384,748
Net differences between projected and actual earnings on pension plan investments	-	3,103,380
Total	\$ 31,923,856	\$ 13,520,508

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, 2019. 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 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, 2017 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
2019	\$ (1,350,941)
2020	3,181,279
2021	1,510,519
2022	(1,528,179)
2023	3,233,920
2024	3,451,394
Total	\$ 8,497,992

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant 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:

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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	\$ 171,095,400
Current discount rate (7.10%)	116,524,800
1% increase (8.10%)	72,237,060

**Changes of Assumptions**

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**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.

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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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%	6.00%
Required employer contribution rate	15.531%	15.531%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are 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, 2018 are as presented above and the total District contributions were \$2,958,788.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$35,586,943. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.1491%.

For the year ended June 30, 2018, the District recognized pension expense of \$5,386,363. At June 30, 2018, 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, 2018**

**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	\$ 2,958,788	\$ -
Differences between expected and actual experience	1,274,933	-
Changes of assumptions	5,198,033	418,992
Changes in proportion	168,813	1,051,601
Net differences between projected and actual earnings on pension plan investments	1,231,065	-
Total	\$ 10,831,632	\$ 1,470,593

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, 2019. 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, 2017 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
2019	\$ 1,375,602
2020	3,195,448
2021	2,505,331
2022	(674,130)
Total	\$ 6,402,251

**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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
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 20 years of mortality improvements using Scale BB 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:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**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 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%)	\$ 52,359,798
Current discount rate (7.15%)	35,586,943
1% increase (8.15%)	21,672,456

**Changes of Assumptions**

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. 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, 2018**

**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, 2018 is \$549,140.

**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 2018 which exceeded the excess insurance amount. Changes in the claims liability for workers' compensation in fiscal years 2016-17 were as follows:

	Beginning Fiscal	Current Year	Ending Fiscal
<u>Reported Liability</u>	<u>Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u> <u>Year Liability</u>
Worker's compensation	\$ 5,200,272	\$ 1,005,120	\$ 1,127,461
Dental program	-	1,583,475	1,477,996
	<u>\$ 5,200,272</u>	<u>\$ 2,588,595</u>	<u>\$ 2,605,457</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, 2018**

**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, 2018 is as follows:

	ASCIP 6/30/2017 (Audited)	SELF 6/30/2017 (Audited)	SISC 9/30/2017 (Audited)	NOCROP 6/30/2018 (Unaudited)
JPA Condensed Financial Information				
Total assets and deferred outflows	\$ 434,487,957	\$ 126,580,131	\$ 540,842,328	\$ 19,867,903
Total liabilities and deferred inflows	240,372,345	104,151,104	173,862,442	987,497
Fund balance	\$ 194,115,612	\$ 22,429,027	\$ 366,979,886	\$ 18,880,406
Total revenues	\$ 275,655,560	\$ 14,641,179	\$ 2,089,274,509	\$ 17,246,880
Total expenditures	266,354,819	13,746,773	1,984,882,354	17,125,030
Change in fund balance	\$ 9,300,741	\$ 894,406	\$ 104,392,155	\$ 121,850

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 18: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

The beginning net position of the basic financial statements has been restated by a reduction of \$33,755,413 in the Statement of Activities 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 Pensions*.

**NOTE 19: 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, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$64 million. Projects will be funded through Bond Proceeds and redevelopment pass-through distributions.

**NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

***Statement No. 83 – Certain Asset Retirement Obligations***

Issued in November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

***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.

***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. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements***

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and ) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**

**NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

**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 2018-19.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2018**

	Budgetary Amounts - General		Actual Amounts General Fund	(a) Fund Basis to GAAP	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 78,720,383	\$ 58,133,211	\$ 58,179,413	\$ 1,000,000	\$ 59,179,413
Local sources	<u>50,531,752</u>	<u>71,106,856</u>	<u>71,106,853</u>	-	<u>71,106,853</u>
Total local control funding formula sources:	129,252,135	129,240,067	129,286,266	1,000,000	130,286,266
Federal sources	5,440,639	7,305,108	6,463,367	-	6,463,367
Other state sources	9,610,016	17,583,904	15,078,638	-	15,078,638
Other local sources	<u>8,871,421</u>	<u>13,070,606</u>	<u>14,401,400</u>	<u>144,486</u>	<u>14,545,886</u>
<b>Total Revenues</b>	<u>153,174,211</u>	<u>167,199,685</u>	<u>165,229,671</u>	<u>1,144,486</u>	<u>166,374,157</u>
<b>Expenditures</b>					
Certificated salaries	68,039,181	68,926,390	68,892,290	-	68,892,290
Classified salaries	20,278,895	20,360,510	20,360,510	-	20,360,510
Employee benefits	41,055,422	38,289,122	38,250,819	-	38,250,819
Books and supplies	11,069,853	11,692,322	6,937,289	803,283	7,740,572
Services and other operating expenditures	13,184,538	14,513,427	14,025,462	293,680	14,319,142
Capital outlay	1,262,372	1,940,413	1,687,746	-	1,687,746
Other outgo and indirect costs	7,081,429	5,987,811	5,987,811	-	5,987,811
Debt service	<u>36,708</u>	<u>36,708</u>	<u>36,708</u>	-	<u>36,708</u>
<b>Total Expenditures</b>	<u>162,008,398</u>	<u>161,746,704</u>	<u>156,178,635</u>	<u>1,096,963</u>	<u>157,275,598</u>
Excess of revenues over expenditures	<u>(8,834,187)</u>	<u>5,452,981</u>	<u>9,051,036</u>	<u>47,523</u>	<u>9,098,559</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in (b)	805,177	805,177	805,177	(805,177)	-
Interfund transfers out	<u>(350,000)</u>	<u>(5,017,755)</u>	<u>(3,645,189)</u>	-	<u>(3,645,189)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>455,177</u>	<u>(4,212,578)</u>	<u>(2,840,012)</u>	<u>(805,177)</u>	<u>(3,645,189)</u>
Net change in fund balances	<u>\$ (8,379,010)</u>	<u>\$ 1,240,403</u>	6,211,024	(757,654)	5,453,370
<b>Fund Balance - Beginning of Year</b>			<u>42,233,001</u>	<u>11,894,624</u>	<u>54,127,625</u>
<b>Fund Balance - End of Year</b>			<u>\$ 48,444,025</u>	<u>\$ 11,136,970</u>	<u>\$ 59,580,995</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 Special Reserve Fund for Other than Capital Outlay 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, 2018**

<u>Total OPEB Liability</u>	<u>2018</u>
Service cost	\$ 2,928,786
Interest	1,637,733
Changes in assumptions	622,561
Benefit Payments	<u>(2,001,577)</u>
Net Change in Total OPEB Liability	3,187,503
Total OPEB Liability - beginning	<u>50,388,008</u>
Total OPEB Liability - ending	<u>\$ 53,575,511</u>
Covered payroll	\$80,637,172
Total OPEB liability as a percentage of covered-employee payroll	66.44%

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, 2018**

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

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, 2018**

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

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, 2018**

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1665%	0.1576%	0.1477%	0.1491%
District's proportionate share of the net pension liability (asset)	<u>\$ 1,891,804</u>	<u>\$ 23,230,396</u>	<u>\$ 29,170,841</u>	<u>\$ 35,586,943</u>
District's covered payroll	\$ 17,400,000	\$ 17,500,000	\$ 17,200,000	\$ 18,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	109%	133%	170%	189%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%

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, 2018**

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

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**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2018**

**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.

Benefit changes – None

Changes of Assumptions - The municipal bond rate at June 30, 2017 was 3.13% and 2.98% at June 30, 2018.

**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, 2018**

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

There were no excesses of expenditures over appropriations in the General Fund.

**SUPPLEMENTARY INFORMATION**

# FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

## HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2018

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, 2018 were as follows:

### **BOARD OF TRUSTEES**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Marilyn Buchi	President	November 30, 2018
Robert Singer, Ph.D.	Clerk	November 30, 2018
Joanne Fawley	Member	November 30, 2020
Robert N. Hathaway	Member	November 30, 2018
Andy Montoya	Member	November 30, 2020

### **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
Jennifer Williams	Executive Director – Administrative Services

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2018**

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, 2018 are as follows:

	<u>Revised Second Period</u>	<u>Revised Annual</u>
Grades nine through twelve:		
Regular ADA	13,232	13,176
Extended year special education	16	16
Special education - nonpublic, nonsectarian schools	15	14
Extended year special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades nine through twelve ADA	<u><u>13,265</u></u>	<u><u>13,208</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, 2018**

Grade Level	Minute Requirement	Actual Minutes	Number of Days		Status
			Traditional Calendar	La Vista High School & La Sierra High School Number of Days(1)	
Grade 9	64,800	64,844	180	181	In Compliance
Grade 10	64,800	64,844	180	181	In Compliance
Grade 11	64,800	64,844	180	181	In Compliance
Grade 12	64,800	64,844	180	181	In Compliance

(1) During the 2015-16 school year, the District operated 179 school days at the shared campus for La Vista High School and La Sierra High School for all grade levels, 9-12. Education Code Section 46206 allows for a waiver of the penalty by the State Board of Education if the District subsequently maintains the required 180 days in addition to maintaining the lost day in the subsequent two years. The District obtained a waiver for the penalty and provided the additional days during the 2017 and 2018 fiscal year-end school year.

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, 2018**

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	10.555	13391	\$ 717,469
Child Nutrition Program-Lunch	10.555	13391	1,442,753
Child Nutrition Program-Snacks	10.555	13391	461,187
Child Nutrition Program-Commodities	10.555	13391	<u>180,267</u>
Subtotal: Child Nutrition Cluster			2,801,676
Child Nutrition Program-Child and Adult Care Food Program	10.558	13389	<u>9,774</u>
Total: United States Department of Agriculture			<u>2,811,450</u>
<b>United States Department of Defense</b>			
Junior Reserve Officer Training Corp (JROTC)	12.000	(1)	<u>744,315</u>
Total: United States Department of Defense			<u>744,315</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	1,731,755
Basic Local Assistance Entitlement, Part B, Section 611 - Private School	84.027	10115	16,351
Mental Health Services, Part B	84.027A	14468	<u>518,200</u>
Subtotal: Special Education (IDEA) Cluster			<u>2,266,306</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	2,382,991
Title II, Part A - Improving Teacher Quality	84.367	14341	400,299
Title III - Limited English Proficiency	84.365	14346	212,534
Career and Technical Education - Secondary	84.048	14894	<u>257,431</u>
Total: United States Department of Education			<u>5,519,561</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, 2018**

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>52,318</u>
Total: United States Department of Health and Human Services			<u>52,318</u>
<b>Total Federal Programs</b>			<u>\$ 9,127,644</u>
<b>Reconciliation to Federal Revenue</b>			
Total Federal Program Expenditures			\$ 9,127,644
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal	93.778		<u>147,173</u>
Total Federal Program Revenue			<u>\$ 9,274,817</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, 2018**

	2019 (Budgeted)	2018	2017	2016
Revenue	\$ 166,852,681	\$ 165,229,671	\$ 165,239,695	\$ 163,630,703
Other sources and transfers in	805,177	805,177	849,978	983,170
<b>Total revenue and other sources</b>	<u>167,657,858</u>	<u>166,034,848</u>	<u>166,089,673</u>	<u>164,613,873</u>
Expenditures	162,619,479	156,178,635	162,732,407	144,330,730
Other uses and transfers out	962,031	3,645,189	2,799,037	269,450
<b>Total expenditures and other uses</b>	<u>163,581,510</u>	<u>159,823,824</u>	<u>165,531,444</u>	<u>144,600,180</u>
Change in fund balance	4,076,348	6,211,024	558,229	20,013,693
Ending fund balance	<u>\$ 52,520,373</u>	<u>\$ 48,444,025</u>	<u>\$ 42,233,001</u>	<u>\$ 41,674,772</u>
Available reserve	<u>\$ 38,291,493</u>	<u>\$ 36,914,964</u>	<u>\$ 27,503,726</u>	<u>\$ 22,826,601</u>
Available reserve %	23.5%	23.6%	16.9%	15.8%
ADA	<u>13,255</u>	<u>13,265</u>	<u>13,425</u>	<u>13,637</u>
Total long term debt	<u>\$ 403,332,775</u>	<u>\$ 411,488,293</u>	<u>\$ 311,857,096</u>	<u>\$ 247,001,026</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 2019 budget is the original budget adopted on June 19, 2018.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2018**

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, 2018**

Differences between the fund balances reported on the June 30, 2018 *Annual Financial and Budget Report* and the audited financial statements occurred in the following fund:

	<u>General Fund</u>
June 30, 2018 Annual Financial and Budget Report Fund Balance	\$ 46,721,556
Adjustments and Reclassifications:	
Adjustment to correct the LCFF accrual	<u>1,722,469</u>
June 30, 2018 Audited Fund Balance	<u><u>\$ 48,444,025</u></u>

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, 2018**

**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 not met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**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, 2018. 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.

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Financial Trends and Analysis**

The *2017-18 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 *2017-18 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, 2018**

	Child Development Fund	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	\$ 30,818	\$ 1,874,537	\$ 2,590,698	\$ 239,040	\$ 1,306,059	\$ 26,609	\$ 13,511,297	\$ 19,579,058
Cash in revolving fund	-	10,712	-	-	-	-	-	10,712
Cash awaiting deposit	-	956	-	-	-	-	-	956
Accounts receivable	56	71,992	11,659	340	1,155	36	26,935	112,173
Due from other funds	36	189	24,880	-	-	-	-	25,105
Inventories	-	29,297	-	-	-	-	-	29,297
<b>Total Assets</b>	<b>\$ 30,910</b>	<b>\$ 1,987,683</b>	<b>\$ 2,627,237</b>	<b>\$ 239,380</b>	<b>\$ 1,307,214</b>	<b>\$ 26,645</b>	<b>\$ 13,538,232</b>	<b>\$ 19,757,301</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 1,656	\$ 83,844	\$ 69,343	\$ 751	\$ 44	\$ 1,765	\$ -	\$ 157,403
Due to other funds	29,254	140,852	3,141	-	-	24,880	-	198,127
Unearned revenue	-	43,526	-	-	-	-	-	43,526
<b>Total Liabilities</b>	<b>30,910</b>	<b>268,222</b>	<b>72,484</b>	<b>751</b>	<b>44</b>	<b>26,645</b>	<b>-</b>	<b>399,056</b>
<b>Fund Balances</b>								
Nonspendable	-	40,009	-	-	-	-	-	40,009
Restricted	-	1,677,546	2,554,753	238,629	1,307,170	-	13,538,232	19,316,330
Assigned	-	1,906	-	-	-	-	-	1,906
<b>Total Fund Balances</b>	<b>-</b>	<b>1,719,461</b>	<b>2,554,753</b>	<b>238,629</b>	<b>1,307,170</b>	<b>-</b>	<b>13,538,232</b>	<b>19,358,245</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,910</b>	<b>\$ 1,987,683</b>	<b>\$ 2,627,237</b>	<b>\$ 239,380</b>	<b>\$ 1,307,214</b>	<b>\$ 26,645</b>	<b>\$ 13,538,232</b>	<b>\$ 19,757,301</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, 2018**

	Child Development Fund	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	\$ 9,774	\$ 2,801,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,811,450
Other state sources	640	227,308	-	-	-	-	67,979	295,927
Other local sources	2,119	524,961	2,188,941	3,784	7,517	245	10,535,429	13,262,996
<b>Total Revenues</b>	<u>12,533</u>	<u>3,553,945</u>	<u>2,188,941</u>	<u>3,784</u>	<u>7,517</u>	<u>245</u>	<u>10,603,408</u>	<u>16,370,373</u>
<b>Expenditures</b>								
Instruction	310,876	-	-	-	-	-	-	310,876
Pupil services	22,403	3,023,952	-	-	-	-	-	3,046,355
General administration	-	137,911	21,611	-	-	-	-	159,522
Plant services	-	26,588	1,252,625	72,870	347	31,541	-	1,383,971
Other outgo	-	-	1,374,697	-	-	-	-	1,374,697
Debt service	-	-	-	-	-	-	11,347,368	11,347,368
<b>Total Expenditures</b>	<u>333,279</u>	<u>3,188,451</u>	<u>2,648,933</u>	<u>72,870</u>	<u>347</u>	<u>31,541</u>	<u>11,347,368</u>	<u>17,622,789</u>
Excess (deficiency) of revenues over expenditures	<u>(320,746)</u>	<u>365,494</u>	<u>(459,992)</u>	<u>(69,086)</u>	<u>7,170</u>	<u>(31,296)</u>	<u>(743,960)</u>	<u>(1,252,416)</u>
<b>Other Financing Sources</b>								
Proceeds from sale of bonds	-	-	-	-	-	-	3,504,461	3,504,461
Interfund transfers in	320,746	-	-	-	650,000	20,000	-	990,746
Interfund transfers out	-	-	(4,875)	-	-	-	-	(4,875)
<b>Total Other Financing Sources</b>	<u>320,746</u>	<u>-</u>	<u>(4,875)</u>	<u>-</u>	<u>650,000</u>	<u>20,000</u>	<u>3,504,461</u>	<u>4,490,332</u>
Net changes in fund balance	-	365,494	(464,867)	(69,086)	657,170	(11,296)	2,760,501	3,237,916
<b>Fund Balances at Beginning of Year</b>	<u>-</u>	<u>1,353,967</u>	<u>3,019,620</u>	<u>307,715</u>	<u>650,000</u>	<u>11,296</u>	<u>10,777,731</u>	<u>16,120,329</u>
<b>Fund Balances at End of Year</b>	<u>\$ -</u>	<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>

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, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 29, 2018.

**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  
November 29, 2018



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAconnect.com

**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, 2018. 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, 2018.

**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 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, material weaknesses may exist that have not been identified.

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

**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  
November 29, 2018

## 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 *2017-18 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, 2018. 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 *2017-18 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
Educator Effectiveness	Yes
California Clean Energy 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 other state programs referred to above in all material respects for the year ended June 30, 2018.

## **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 *2017-18 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  
November 29, 2018

**FINDINGS AND QUESTIONED COSTS**

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS

June 30, 2018

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?                   Yes      X   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)?                           Yes      X   No

**Identification of Major Federal Programs:**

CFDA Number(s)    Name of Federal Program or Cluster

10.555                    Child Nutrition 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, 2018**

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, 2018.

**FEDERAL AWARDS**

There were no findings and questioned costs related to federal awards for June 30, 2018.

**STATE COMPLIANCE**

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

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2018**

There were no findings and questioned costs related to the year ended June 30, 2017.

**CONTINUING DISCLOSURE INFORMATION**

**FULLERTON JOINT UNION HIGH SCHOOL DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2018**

Assessed valuation for fiscal year 2017-18	\$32,247,441,583
Secured tax levies for fiscal year 2017-18	\$ 49,372,735
Secured tax delinquencies for fiscal year 2017-18	\$ 226,848
Secured tax collections for fiscal year 2017-18	\$ 49,145,887

<u>Property Owner</u>	<u>Primary Land Use</u>	<b>2017-18 Assessed Valuation</b>	<b>% of Total <sup>(1)</sup></b>
1. ComrefSo Ca Industrial Sub A & P LLC	Industrial	\$ 150,434,336	0.47 %
2. The Source at Beach LLC	Commercial	130,658,402	0.41
3. Realty Associates Fund IXL P	Commercial	122,488,269	0.38
4. FHF I Amerige Pointe LLC	Apartments	115,000,000	0.36
5. CVS Pharmacy Inc.	Industrial	102,326,289	0.32
6. Advanced Group 16-114	Apartments	99,000,000	0.31
7. Alticor Inc.	Industrial	98,570,434	0.31
8. University House Fullerton LLC	Apartments	89,501,047	0.28
9. Rreef America REIT II Corp.	Industrial	86,308,796	0.27
10. Corecare III	Apartments	77,318,657	0.24
11. PRI Buena Park Industrial CA LLC	Industrial	68,482,608	0.21
12. PSIP WR Fullerton LLC	Commercial	64,317,120	0.20
13. SFERS Real Esate Corp, RR	Industrial	61,369,368	0.19
14. BRE-FMCA LLC	Apartments	58,376,421	0.18
15. 458 East Lambert LLC	Industrial	56,955,525	0.18
16. PK I Fullerton Town Center LP	Commercial	56,831,523	0.18
17. Breitburn Energy Partners LP	Oil & Gas	56,816,815	0.18
18. Fullerton Metro Center LLC	Industrial	54,885,149	0.17
19. La Habra Westridge Partners LP	Commercial	54,522,896	0.17
20. Lit Industrial LP	Industrial	53,061,226	0.16
Total Top 20		<u>\$ 1,657,224,881</u>	<u>5.14 %</u>

Source: California Municipal Statistics, Inc.

(1) % of local secured assessed valuation: \$32,247,441,583