

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2015**

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

AUDIT REPORT

June 30, 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i–xiii
FINANCIAL SECTION	
Basic Financial Statements:	
Government–Wide Financial Statements:	
Statement of Net Position.....	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
Statement of Fund Net Position – Proprietary Fund	7
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	8
Statement of Cash Flows – Proprietary Fund.....	9
Statement of Net Position – Fiduciary Funds.....	10
Notes to Financial Statements.....	11–60
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Budgetary Comparison for the General Fund	61
Schedule of District’s Proportionate Share of the Net Pension Liability – State Teachers’ Retirement Plan	62
Schedule of District’s Proportionate Share of the Net Pension Liability – California Public Employees’ Retirement System – Schools Pool Plan.....	63
Schedule of District Contributions – State Teachers’ Retirement Plan	64
Schedule of District Contributions – California Public Employees’ Retirement System – Schools Pool Plan.....	65
Schedule of Postemployment Healthcare Benefits Funding Progress	66
Notes to Required Supplementary Information	67

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**AUDIT REPORT
June 30, 2015**

CONTENTS

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
History and Organization	68
Schedule of Average Daily Attendance (ADA).....	69
Schedule of Instructional Time	70
Schedule of Expenditures of Federal Awards.....	71
Schedule of Financial Trends and Analysis.....	72
Schedule of Charter Schools	73
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	74
Notes to Supplementary Information.....	75-76
OPTIONAL SUPPLEMENTARY INFORMATION	
Combining Statements by Fund Types: Combining Statements – Non-Major Funds: Combining Balance Sheet	77
Combining Statement or Revenues, Expenditures, and Changes in Fund Balances	78
Notes to Optional Supplementary Information.....	79
OTHER INDEPENDENT AUDITOR’S REPORTS	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80-81
Independent Auditor’s Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133	82-84
Independent Auditor’s Report on State Compliance	85-87
FINDINGS AND RECOMMENDATIONS	
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	88
Schedule of Findings and Questioned Costs – Related to Financial Statements Federal Awards and State Award	
Status of Prior Year Findings and Questioned Costs.....	89
Schedule of Findings and Questioned Costs Related to State Awards	90
CONTINUING DISCLOSURE INFORMATION (Unaudited).....	91

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fullerton Joint Union High School District
1051 W. Bastanchury Road
Fullerton, California 92831

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, 2015, 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 of 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.

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

Board of Trustees
Fullerton Joint Union High School District

Opinions

In our opinion, the financial statements listed above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fullerton Joint Union High School District as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 16 to the basic financial statements, in 2015 the Fullerton Joint Union High School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability (STRP and CalPERS), schedule of District pension contributions (STRP and CalPERS), and schedule of postemployment healthcare benefits funding progress 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 Fullerton Joint Union High School District's basic financial statements. The supplementary schedules, the combining non-major fund financial statements and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

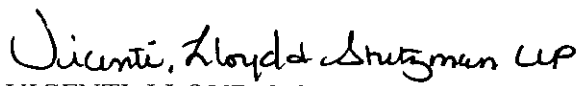
Board of Trustees
Fullerton Joint Union High School District

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 information 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 October 28, 2015 on our consideration of the Fullerton Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Fullerton Joint Union High School District's internal control over financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 28, 2015

**Fullerton Joint Union High School District
Management's Discussion and Analysis
June 30, 2015**

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, 2015. 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

- The District received approximately \$8.3 million in additional state LCFF revenue in 2014/15 as compared to 2013/14.
- Collective bargaining agreements with all employee groups were settled through June 30, 2015. Negotiations for 2015/16 began in March with the Fullerton Secondary Teachers Organization and began in August with the California School Employees Association Chapter 83 (classified employees).

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Highlights (continued)

- In November 2014 the voters approved Measure I authorizing up to \$176 million in General Obligation Bonds. The first series of bonds (\$42.5 million) were sold in October 2015.

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.

These two statements report the District's net position and changes in them. 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 likely be an important component in this evaluation.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

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.

**Fullerton Joint Union High School District
Management's Discussion and Analysis
June 30, 2015**

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$2,503,237 for the fiscal year ended June 30, 2015, reflecting a decrease of approximately 98 percent since June 30, 2014. Of this amount, \$17,773,140 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 significant decrease in Total Net Position is a direct result of the implementation of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*.

The beginning net position of the basic financial statements has been restated by (\$123,711,155) to recognize the beginning balance of the net pension liability and deferred outflow of resources resulting from the implementation of GASB Statements No. 68 and No. 71.

The effect of this implementation has resulted in a negative unrestricted net position balance at June 30, 2015. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.¹

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.

¹ Notes to Financial Statements – Note 16 Cumulative Effect of Accounting Changes and Restatement to Beginning Net Position and Negative Unrestricted Net Position

**Fullerton Joint Union High School District
Management's Discussion and Analysis
June 30, 2015**

THE DISTRICT AS A WHOLE (continued)

Net Position (continued)

Table 1

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 68,820,466	\$ 66,992,662
Capital Assets	<u>163,110,661</u>	<u>168,612,386</u>
Total Assets	<u>231,931,127</u>	<u>235,605,048</u>
Deferred Outflows of Resources-Pension Contributions	<u>7,551,627</u>	
Liabilities		
Current Liabilities	12,522,875	13,621,958
Long-term Liabilities	<u>195,798,298</u>	<u>94,240,645</u>
Total Liabilities	<u>208,321,173</u>	<u>107,862,603</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources-pension costs	27,360,372	
Deferred Inflows of Resources-change in proportion	<u>1,297,972</u>	
Total Deferred Inflows of Resources	<u>28,658,344</u>	<u>-</u>
Net Position		
Invested In Capital Assets, Net of Related Debt	85,324,999	88,554,687
Legally Restricted	17,773,140	13,815,982
Unrestricted	<u>(100,594,902)</u>	<u>25,371,776</u>
Total Net Position	<u>\$ 2,503,237</u>	<u>\$ 127,742,445</u>

The (\$100,594,902) 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, 2015, unrestricted net position decreased \$125,966,678 as compared to June 30, 2014. Refer to page iv for further discussion of the decrease. In addition, the increase in long-term obligations and deferred inflows and outflows of resources is directly related to the implementation of GASB Statements No. 68 and No. 71 related to the recording of pension related obligations. The 2014 column has not been revised for the retrospective impact of this implementation. Refer to Note 11 for further discussion.

**Fullerton Joint Union High School District
Management's Discussion and Analysis
June 30, 2015**

THE DISTRICT AS A WHOLE (continued)

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>2014-15</u>	<u>2013-14 (*)</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 615,299	\$ 820,000
Operating Grants and Contributions	22,693,031	20,636,008
Capital Grants and Contributions	2,889	6,232
General Revenues:		
Property Taxes	58,985,879	52,912,977
Federal and State Aid Unrestricted	66,349,205	62,345,396
Interest, Investment and Miscellaneous	<u>8,102,053</u>	<u>8,619,417</u>
Total Revenues	<u>156,748,356</u>	<u>145,340,030</u>
Expenses		
Instruction and Related Services	96,448,243	94,201,954
Pupil Services	18,670,918	17,515,823
Ancillary, Community, and Enterprise Activities	1,266,318	1,353,033
General Administration	5,929,811	6,056,978
Plant Services	16,880,552	14,239,245
Other Outgo	11,403,662	9,606,039
Debt Service-Interest	2,727,780	2,224,987
Depreciation (unallocated)	<u>4,949,125</u>	<u>4,924,620</u>
Total Expenses	<u>158,276,409</u>	<u>150,122,679</u>
Change in Net Position	<u>(1,528,053)</u>	<u>(4,782,649)</u>
Net Position, Beginning, as restated	<u>4,031,290</u>	<u>132,525,094</u>
Net Position, Ending	<u>\$ 2,503,237</u>	<u>\$ 127,742,445</u>

* The 2013-14 numbers were audited by other auditors. Certain reclassifications have been made to the 2013-14 expenditures to conform to the 2014-15 expenditures presentation.

**Fullerton Joint Union High School District
Management’s Discussion and Analysis
June 30, 2015**

THE DISTRICT AS A WHOLE (continued)

Changes in Net Position (continued)

As shown above in Table 2, the cost of all governmental activities in fiscal year 2014/15 was \$158,276,409. Federal and state unrestricted revenues totaled \$66,349,205, local property tax revenue totaled \$58,985,879, and other local revenues – including contributions and donations totaled \$7,935,038. Increases in revenue were primarily related to additional state LCFF funding. Increases in expenses were primarily related to the recording of pension and postemployment benefit accruals as well as the write-off of construction in progress under the full-accrual basis of accounting.

GOVERNMENTAL FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$53,985,457, which is an increase of \$5,152,759 from the prior year (see Table 3 below).

Table 3

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues	\$154,852,450	\$145,318,556
Expenditures	<u>149,719,691</u>	<u>145,749,438</u>
Excess (deficiency)	5,132,759	(430,882)
Other Financing Sources (net)	<u>20,000</u>	
Net Change in Fund Balance	5,152,759	(430,882)
Beginning Fund Balance	<u>48,832,698</u>	<u>49,263,580</u>
Ending Fund Balance	<u>\$ 53,985,457</u>	<u>\$ 48,832,698</u>

The primary reasons for this increase includes:

- Increased state funding under LCFF of approximately \$8.3 million
- Slight Building Fund increases due to fewer capital projects costs
- Slight Non-Major Governmental Funds increase due to increase in local developer fees.

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.

**Fullerton Joint Union High School District
Management's Discussion and Analysis
June 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

A schedule of budgetary comparison for the General Fund can be found on page 61. 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. General fund comparative highlights between 2013/14 and 2014/15 include:

- General Fund revenues increased approximately \$6.5 million
- General Fund expenditures increased approximately \$2.3 million
- General Fund ending balance increased by approximately \$4.3 million
- Expenditures for salaries and benefits increased by approximately \$2 million

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$163,110,661 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions associated with the write-off of construction in progress, and depreciation) of \$5,501,725.

Table 4

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land and work in progress	\$ 3,818,653	\$ 8,299,936
Buildings and improvements, furniture and equipment, vehicles	231,016,134	227,087,451
Less accumulated depreciation	<u>(71,724,126)</u>	<u>(66,775,001)</u>
Total	<u>\$ 163,110,661</u>	<u>\$ 168,612,386</u>

Long-Term Obligations

At the end of the fiscal year, the District had \$193,959,617 in long-term obligations versus \$89,735,950 the prior fiscal year. This increase is primarily attributable to the increase in net pension liability of \$103,635,454 associated with the implementation of GASB Statement Numbers 68 and 71.

**Fullerton Joint Union High School District
Management’s Discussion and Analysis
June 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Obligations (continued)

Table 5

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General Obligation Bond Debt	\$ 49,795,000	\$ 51,645,000
Unmatured Premium (GO Bond)	5,735,662	6,157,699
Certificates of Participation	22,255,000	22,255,000
Compensated Absences	934,764	670,303
Net Pension Liability	103,635,454	
Other Post-Employment Benefits	<u>11,603,737</u>	<u>9,007,948</u>
Total	<u>\$ 193,959,617</u>	<u>\$ 89,735,950</u>

The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. This is also known as the District’s bonding capacity. For fiscal year 2014/15 the District’s assessed valuation was \$30,349,329,221 and the statutory bonding capacity was \$379,366,615. Outstanding general obligation debt totaled \$49,795,000, providing a remaining bonding capacity of \$329,571,615. 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.

Other debt obligations include certificates of participation which were used to construct La Vista/La Sierra High School in 2009. Debt service for the certificates of participation are primarily secured by Redevelopment Agency pass-thru revenues. The District refunded the 2007 certificates of participation in September 2015.

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 OF FISCAL YEAR 2014 – 2015

- The District's 2015 passage rates for the California High School Exit Exam were 90 percent for both English and math. This compares to the State-wide averages of 85 percent for both math and English
- In 2015, all six comprehensive high schools were ranked in the top 8 percent in the nation by *US News & World Report* among 21,000 high schools nationwide and in the top 7 percent by *The Washington Post* Challenge Index among 22,000 high schools

**Fullerton Joint Union High School District
 Management's Discussion and Analysis
 June 30, 2015**

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014 – 2015 (continued)

- 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	97	504
Sunny Hills High School	107	550
Sonora High School	208	1,051
La Habra High School	293	1,423
Fullerton Union High School	313	1,502
Buena Park High School	327	1,556

- All four of the District's JROTC programs were recognized as Distinguished Units in each of the past five years. Troy High School's Navy JROTC was ranked #1 in the nation in 2009 and #5 in 2014
- The District's 2014/15 attendance rate for its comprehensive high schools was 96 percent

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS

The District used the following assumptions in constructing the 2015/16 fiscal year budget. The information provided below is current as of July 1, 2015.

Local Control Fund Formula (LCFF)

The LCFF, implemented in fiscal year 2013/14, made fundamental changes in the way Proposition 98 revenues are allocated to schools. At full implementation in fiscal year 2020/21, the LCFF will fund every student, depending on grade span, at the same base rate. At full implementation in 2020/21, the target State funding for high school students (grades 9–12), is projected to be as follows:

2014/15 Base Grant Entitlement per ADA	\$8,491	
2015/16 COLA (1.02%)	<u>87</u>	
2015/16 Base Grant per ADA	8,578	
CTE Augmentation Grant (2.6%)	<u>223</u>	
Adjusted Base Grant per ADA	<u>\$8,801</u>	(LCFF Target Funding)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS (continued)

General Assumptions

1. Enrollment – The enrollment projection for the budget year assumes that enrollment will remain flat as compared to current year enrollment. The projected enrollment for October 2015, CBEDS is 14,396.

ADA for the budget year is projected to be 13,849. The fiscal figures for the budget year P–2 ADA will not be known until after mid–April 2016.

Key Revenue Assumptions

2. The District's 2014/15 LCFF Entitlement is budgeted at \$125,178,889.
3. Lottery – Lottery expenditures for the budget year will be maintained at prior–year levels in support of programs identified in the 2014/15 budget with minor adjustments.
 - 3.1 Lottery unrestricted revenue will be calculated at \$128 per ADA. Unrestricted revenue is projected to be approximately \$1.8 million.
 - 3.2 Lottery restricted revenue for instructional materials will be calculated at \$34 per ADA. Restricted revenue is projected to be approximately \$488,000.
 - 3.3 Lottery funds are budgeted and allocated for expenditure in the fiscal year following receipt.
4. Redevelopment Agencies (RDAs) – The District anticipates receiving approximately \$1.5 million during the budget year. One hundred percent of the revenue received from the RDAs is used for debt service payments on the District's COP; see budget assumption numbers 10 and 11 below.

Key Expenditure Assumptions

5. Salaries and benefit costs estimated for employee groups will increase to include employee movement across the salary schedule.
6. Health and welfare insurance costs for the District for the budget year are projected to remain flat and will be budgeted at approximately \$17.3 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS (continued)

Transfers and Capital Outlay

7. It is the intent of the District to rebuild the Deferred Maintenance Fund by restoring the annual transfer amount. Pending funding availability, the transfer amounts are estimated at \$800,000 annually.

8. A total of \$2.6 million will be reserved from the General Fund for capital outlay as follows:

Textbook/instructional materials adoptions	\$1,500,000
General technology infrastructure replacement	350,000
Technology initiatives & upgrades	500,000
Vehicle replacement (white fleet/golf carts)	100,000
Food service Point of Sale equipment/software	100,000
Furniture replacement	50,000
Transportation shop equipment	35,000

9. The District will transfer a total of approximately \$805,000 from the Fund 17 – Special Reserve fund to the General Fund during the budget year to support ongoing programs and to offset deficit spending.

Debt Service and Lease Payments

10. The District is projected to incur approximately \$663,000 in debt service payments from the General Fund in the budget year. The amount consists primarily of lease payments obligations for Certificates of Participation for the construction of La Vista/La Sierra High Schools.

11. The COPs issued in 2007 will be repaid primarily with a combination of rental savings and redevelopment income. The 2007 COPs were refinanced in September 2015. The budget will be adjusted accordingly for any reduction in debt service.

Additional Assumptions and Programs

12. A minimum reserve for “Economic Uncertainty” is required to be maintained at 3 percent of General Fund expenditures.

13. New instructional materials, textbooks, consumables, and other related costs will be budgeted at the same level as in 2014/15 (\$1.4 million).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS (continued)

Use of Reserves and Multi-year Fiscal Solvency Measures

14. Use of Reserves

Although it is not anticipated in 2015/16, mid-term (3–5 years) revenue and expenditure projections indicate the District has not yet fully resolved its deficit spending imbalance. In order to balance the budget and meet multiple-year projection solvency requirements, the Board of Trustees will drawdown unallocated reserves, if necessary. Shortfalls, if any, over the next several years will likely require a combination of budget reductions and reserves draw-down.

15. Fiscal Solvency Statement

In submitting the 2015/16 Budget, the Board of Trustees understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years.

In conjunction with adoption of the 2014/15 budget, a deficit elimination plan was approved by the Board of Trustees. This plan addresses the spending imbalance through a combination of ongoing budget reductions, streamlining and efficiency measures, and potential revenue transfers. These measures have not yet been fully recognized in the budget and multi-year projection. In order to maintain multi-year fiscal solvency, the District may need to make expenditure reductions in 2015/16, 2016/17, and/or 2017/18.

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:

Ron Lebs, Assistant Superintendent, Business Services
Fullerton Joint Union School District
1051 West Bastanchury Road
Fullerton, California, 92833–2247

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E-mail: rlebs@fjuhsd.net

FINANCIAL SECTION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 59,773,463
Cash on hand and in banks	259,681
Cash in revolving fund	59,312
Cash with fiscal agent	82,095
Investments	2,020,926
Accounts receivable:	
Federal and State governments	4,797,283
Miscellaneous	1,624,408
Inventories	149,781
Prepaid expenditures	53,517
Land	3,485,921
Construction in progress	332,732
Depreciable assets, net	<u>159,292,008</u>
Total Assets	<u>231,931,127</u>
 Deferred Outflows of Resources	
Deferred outflows of resources - pension contributions	<u>7,551,627</u>
 <u>Liabilities</u>	
Accounts payable and other accrued liabilities	6,822,398
Accrued interest	1,340,912
Unearned revenue	1,459,496
Claims liability (IBNR)	4,738,750
Current portion of Long-term liabilities:	
Compensated absences	441,840
General obligation bonds	2,010,000
Non-current portion of long term liabilities:	
Compensated absences	492,924
General obligation bonds	53,520,662
Certificates of participation	22,255,000
Net pension liability	103,635,454
Other postemployment benefits	<u>11,603,737</u>
Total Liabilities	<u>208,321,173</u>
 Deferred Inflows of Resources	
Deferred inflows of resources - pension costs	27,360,372
Deferred inflows of resources - change in proportion	<u>1,297,972</u>
Total Deferred Inflows of Resources	<u>28,658,344</u>
 <u>Net Position</u>	
Invested in capital assets, net of related debt	85,324,999
Restricted for:	
Debt service	1,870,672
Educational programs	2,711,229
Capital projects	13,191,239
Unrestricted	<u>(100,594,902)</u>
Total Net Position	<u>\$ 2,503,237</u>

See the accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 83,223,743	\$	\$ 12,480,761	\$ 2,889	\$ (70,740,093)
Instruction - related services	13,224,500		426,022		(12,798,478)
Pupil services	18,670,918	589,625	7,740,068		(10,341,225)
Ancillary services	664,777				(664,777)
Community services	601,541				(601,541)
General administration	5,929,811	25,674	596,637		(5,307,500)
Plant services	16,880,552		141,934		(16,738,618)
Other outgo	11,403,662		1,307,609		(10,096,053)
Debt service - interest	2,727,780				(2,727,780)
Depreciation (unallocated)	4,949,125				(4,949,125)
Total Governmental Activities	<u>\$ 158,276,409</u>	<u>\$ 615,299</u>	<u>\$ 22,693,031</u>	<u>\$ 2,889</u>	<u>(134,965,190)</u>
General Revenues					
Property taxes levied for					
General Purposes					54,738,304
Debt Service					4,247,575
Federal and state aid not restricted to specific purposes					66,349,205
Interest					167,015
Miscellaneous					7,935,038
Total General Revenues					<u>133,437,137</u>
					Change in net position
					<u>(1,528,053)</u>
					Net Position - Beginning of Year, as originally stated
					127,742,445
					Cumulative effect of change in accounting principle (see note 16)
					<u>(123,711,155)</u>
					Net Position - Beginning of Year, after effect of change in accounting principle
					<u>4,031,290</u>
					Net Position - End of Year
					<u>\$ 2,503,237</u>

See the accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash in county treasury	\$ 38,084,623	\$ 7,177,160	\$ 8,276,708	\$ 53,538,491
Cash on hand and in banks	58,053		970	59,023
Cash in revolving fund	50,000		9,312	59,312
Cash with fiscal agent	82,095			82,095
Investments with fiscal agent		2,020,926		2,020,926
Accounts receivable:				
Federal and state governments	4,475,917		321,366	4,797,283
Miscellaneous	1,616,295	2,539	2,079	1,620,913
Due from other funds	137,330	7	547	137,884
Inventories	128,042		21,739	149,781
Prepaid expenditures	53,517			53,517
Total Assets	\$ 44,685,872	\$ 9,200,632	\$ 8,632,721	\$ 62,519,225
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable and other accrued liabilities	\$ 6,387,443	\$ 59,991	\$ 212,782	\$ 6,660,216
Due to other funds	282,580	2,087	132,113	416,780
Unearned revenue	1,446,406		10,366	1,456,772
Total Liabilities	8,116,429	62,078	355,261	8,533,768
<u>Fund Balances</u>				
Nonspendable	231,559		31,051	262,610
Restricted	1,760,328	9,138,554	8,215,170	19,114,052
Committed	5,168,345			5,168,345
Assigned	16,027,366		31,239	16,058,605
Unassigned	13,381,845			13,381,845
Total Fund Balances	36,569,443	9,138,554	8,277,460	53,985,457
Total Liabilities and Fund Balances	\$ 44,685,872	\$ 9,200,632	\$ 8,632,721	\$ 62,519,225

See the 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, 2015

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

Total fund balance - governmental funds	\$ 53,985,457
Capital assets used in governmental activities are not financial resource and, therefore, are not reported in the funds. The cost of the assets is \$234,834,787 and the accumulated depreciation is \$71,724,126. The net value of capital assets is -	163,110,661
Accrued interest for general obligation bonds is recognized when it is incurred.	(1,340,912)
An internal service funds is used by the district to manage its Self-Insurance programs. The assets and liabilities of the Self-Insurance Fund are included under governmental activities in the statement of net position.	1,814,365
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated Absences Payable	(934,764)
General Obligation Bonds Principal Payable	(49,795,000)
Unmatured Premium General Obligation Bonds	(5,735,662)
Certificates of Participation	(22,255,000)
Net pension liability	(103,635,454)
Other Postemployment Benefit Obligations	<u>(11,603,737)</u>
	(193,959,617)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.	
Deferred outflows of resources - pension contributions	7,551,627
Deferred inflows of resources - pension costs	(27,360,372)
Deferred inflows of resources - change in proportion	<u>(1,297,972)</u>
Total net position - governmental activities	<u>\$ 2,503,237</u>

See the 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, 2015

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local control funding formula sources:				
State apportionments	\$ 61,266,795	\$	\$	\$ 61,266,795
Local sources	<u>53,686,823</u>			<u>53,686,823</u>
Total revenue limit sources	114,953,618			114,953,618
Federal Sources	5,490,680		2,415,909	7,906,589
Other state sources	9,879,218		203,245	10,082,463
Other local sources	<u>12,703,479</u>	<u>987,190</u>	<u>8,219,111</u>	<u>21,909,780</u>
Total Revenues	<u>143,026,995</u>	<u>987,190</u>	<u>10,838,265</u>	<u>154,852,450</u>
Expenditures				
Instruction	81,087,353		265,711	81,353,064
Instruction - related services	12,854,735			12,854,735
Pupil Services	15,025,553		2,826,420	17,851,973
Ancillary Services	640,809			640,809
Community Services	563,701			563,701
General Administration	5,686,269		106,831	5,793,100
Plant Services	13,424,315	383,158	451,357	14,258,830
Other outgo	9,216,728		2,186,934	11,403,662
Debt service	<u>663,170</u>	<u>335,084</u>	<u>4,001,563</u>	<u>4,999,817</u>
Total Expenditures	<u>139,162,633</u>	<u>718,242</u>	<u>9,838,816</u>	<u>149,719,691</u>
Excess (deficiency) of revenues over expenditures	<u>3,864,362</u>	<u>268,948</u>	<u>999,449</u>	<u>5,132,759</u>
Other Financing Sources (Uses)				
Interfund transfers in			319,753	319,753
Interfund transfers out	<u>(299,753)</u>			<u>(299,753)</u>
Total Other Financing Sources	<u>(299,753)</u>	<u>-</u>	<u>319,753</u>	<u>20,000</u>
Net changes in fund balance	<u>3,564,609</u>	<u>268,948</u>	<u>1,319,202</u>	<u>5,152,759</u>
Fund Balances at Beginning of Year	31,238,612	8,869,606	8,724,480	48,832,698
Adjustment for Reclassification (see note 15)	<u>1,766,222</u>		<u>(1,766,222)</u>	<u>-</u>
Fund Balances at Beginning of Year, as Adjusted	<u>33,004,834</u>	<u>8,869,606</u>	<u>6,958,258</u>	<u>48,832,698</u>
Fund Balances at End of Year	<u>\$ 36,569,443</u>	<u>\$ 9,138,554</u>	<u>\$ 8,277,460</u>	<u>\$ 53,985,457</u>

See the accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Net change in fund balances-total governmental funds \$ 5,152,759

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 the assets' estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital asset additions	\$	1,748,437	
Write-off of construction in progress		(2,301,037)	
Depreciation expense		<u>(4,949,125)</u>	(5,501,725)

The governmental funds report the repayment of bond principal as an expenditure, but as a reduction of long-term obligations in the statement of net position. Interest is recognized as an expenditure in the governmental funds when it is due, but is recognized as it accrues, regardless of when it is due, in the statement of net position. The net effect of those differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal		1,850,000	
Bond premium, current year amortization		422,037	
Decrease in accrued interest expense		<u>157,673</u>	
Change in long-term bond liability			2,429,710

In the statement of activities compensated absences (vacations), are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During the year vacation payable increased.

(264,461)

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

282,469

Certain items such as postemployment benefits other than pensions reported in the statement of activities do not result in, or require, the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds.

(2,595,789)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contribution was:

Increase in deferred outflows of resources - pension contributions		213,779	
Decrease in net pension liability		27,413,549	
Increase in deferred inflows of resources - pension costs		<u>(28,658,344)</u>	<u>(1,031,016)</u>

Change in net position of governmental activities

\$ (1,528,053)

See the accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUND**

June 30, 2015

	<u>Governmental Activities Self-Insurance Funds</u>
<u>ASSETS</u>	
Current Assets	
Cash in county treasury	\$ 6,234,972
Cash on hand and in banks	200,658
Accounts receivable - miscellaneous	3,495
Due from other funds	<u>282,026</u>
TOTAL ASSETS	<u><u>6,721,151</u></u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable and other accrued liabilities	162,182
Due to other funds	3,130
Unearned revenue	2,724
Claims liability (IBNR)	<u>4,738,750</u>
TOTAL LIABILITIES	<u><u>4,906,786</u></u>
<u>NET POSTION</u>	
Restricted	<u>1,814,365</u>
TOTAL NET POSITION	<u><u>\$ 1,814,365</u></u>

See the accompanying notes to the financial statement.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

	Governmental Activities
	<u>Self-Insurance Funds</u>
OPERATING REVENUES	
Self-insurance contributions	\$ 19,534,474
Other miscellaneous revenues	63,637
TOTAL OPERATING REVENUES	<u>19,598,111</u>
 OPERATING EXPENSES	
Employee salaries	299,171
Employee/retiree benefit costs	682,782
Supplies and materials	251
Professional and contract services	18,361,338
TOTAL OPERATING EXPENSES	<u>19,343,542</u>
 Operating Income	<u>254,569</u>
 NON-OPERATING REVENUES	
Interest Income	27,900
TOTAL NON-OPERATING REVENUES	<u>27,900</u>
 Change in Net Position	282,469
 Net Position at Beginning of Year	<u>1,531,896</u>
 Net Position at End of Year	<u><u>\$ 1,814,365</u></u>

See the 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, 2015**

	<u>Governmental Activities</u>
	<u>Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 19,432,736
Cash paid employees	(981,953)
Cash payment to vendors for services and other operating expenses	<u>(18,157,439)</u>
Net Cash Provided by Operating Activities	<u>293,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>26,550</u>
Net Cash Provided by Investing Activities	<u>26,550</u>
Net Increase in Cash	319,894
Cash - July 1, 2014	<u>6,115,736</u>
Cash - June 30, 2015	<u>\$ 6,435,630</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 254,569
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Operating Assets and Liabilities	
Due from other funds	(165,375)
Accounts payable and other accrued liabilities	50,901
Due to other funds	(848)
Unearned revenue	(79,958)
Claims liability (IBNR)	<u>234,055</u>
Total Adjustments	<u>38,775</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 293,344</u>
Cash balances at June 30, 2015 consisted of the following:	
Cash in Country Treasury	\$ 6,234,972
Cash on Hand and in Banks	<u>200,658</u>
Total Cash Balances at June 30, 2015	<u>\$ 6,435,630</u>

See the accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
June 30, 2015

	Debt Service Fund for Special Tax Bonds	Agency Funds Associated Student Body Funds	Total
<u>Assets</u>			
Cash in county treasury	\$ 318,035	\$	\$ 318,035
Cash on hand and in banks		2,212,487	2,212,487
Cash with fiscal agent	136,347		136,347
Accounts receivable:			
Miscellaneous	101		101
Store inventories		1,676	1,676
Total Assets	454,483	2,214,163	2,668,646
<u>Liabilities</u>			
Accounts payable		134,896	134,896
Funds held in trust	454,483	2,079,267	2,533,750
Total Liabilities	\$ 454,483	\$ 2,214,163	\$ 2,668,646

See the accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

A. 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.

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

1. 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

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.

2. 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

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

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

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

Ancillary services – includes activities that are generally designed to provide students with experiences outside the regular school day.

Community services – includes activities that provide services to community participants other than students.

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 fund expenditures are presented by natural classification.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. 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 Statements 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 – the general operating fund of the District is used to account for all financial resources except those required to be accounted for in another fund. The Deferred Maintenance Fund, Special Reserve Other than Capital Outlay Fund, and the Special Reserve Fund for Postemployment Benefits have been consolidated with the General Fund. Due to GASB Statement No. 54, these funds do not meet the special revenue fund definition as they are no longer primarily composed of restricted or committed sources.

Building Fund – used to account for the issuance of general obligation bonds and the construction, renovation and repair of classrooms.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR

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

1. Child Development Fund – used to account for Federal, State and Local sources and expenditures to operate child development programs.
2. Cafeteria Fund – used to account for revenues received and expenditures made to operate the District's food service programs.

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.

1. Capital Facilities Fund – used to account for resources received from residential and commercial developer impact fees.
2. County School Facilities Fund – used to account for the School Facility Program grants award for modernization and new construction of various school sites.
3. Special Reserve Fund for Capital Outlay Projects – used to account for funds set aside for the maintenance of the Plummer Auditorium Pipe Organ.
4. 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 Fund – used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

1. Bond Interest and Redemption Fund – used to account for the payment of principal and interest on general obligation bonds.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

PROPRIETARY FUNDS

Internal Service Fund – used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. 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

Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs.

In particular, agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District operates two agency funds.

1. **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.
2. **Associated Student Body Funds** – used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body. The District operated seven associated student body funds during the fiscal year.

C. BASIS OF ACCOUNTING:

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

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.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also includes cash in the County Treasury.

2. 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, when applicable.

3. Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

4. Prepaid expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015, 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 expenditure/expense is reported in the year in which goods services are consumed.

5. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is 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
Sites 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

6. 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 (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred outflows – pension contributions: The deferred outflow of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

7. 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.

8. 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

9. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

10. 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 the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

11. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the estimated and actual return on pension plan investments and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized to pension expense over closed periods ranging from 3.9 to 5 years.

Net Position

Net Position represents the difference between assets, deferred outflows/inflows of resources, and liabilities. Net Position invested in capital assets, net of related debt 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 their use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

12. 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 Education. These amounts cannot be used for any other purpose unless the District Board of Education 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.

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 Education, through a formal action has given authority to the Superintendent or designee 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

13. Spending Order Policy

The District considers restricted amounts to have been spent 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 Education has provided otherwise in its commitment or assignment functions.

14. 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.

15. 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 recorded in the year computed by the State.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

16. Property Taxes

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

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 Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the Government-wide financial statements.

17. 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 separated 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

18. 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.

19. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating 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. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB.

20. 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.

D. 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

The District considered its financial and operational relationships with potential component units under the reporting entity definition required by GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reporting 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 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, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. 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.
2. 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.
3. 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

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 in the long-term obligations of 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 financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units, included in the governmental funds of the District. The accumulation of resources for the payment of principal and interest on the special tax bonds issued by the CFD are included in the Fiduciary Funds Statement. Special Tax Bonds issued by the CFD are not included in the long-term obligations of the Statement of Net Position, as they are not obligations of the District; see note 10 (non-obligatory Debt). Individually prepared financial statements are not prepared for the CFD.

The following potential component unit has been excluded from the District's reporting entity:

Various PTA 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 and the Booster Clubs individually are not significant to the District.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 – DEPOSITS AND INVESTMENTS:

A. 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, 2015, \$2,057,336 of the District's bank balance of \$2,307,336 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's department not in the District's name	\$2,057,336
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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. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2015 is measured at 99.8% of amortized cost.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash in County (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 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 monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

B. Investments

Policies

California Government Code Sections 16430, 53601, and 53602 allows governmental entities to invest surplus moneys in certain eligible securities. The District did not violate any provisions of the California Government Code during the 2014–15 fiscal year.

Investments at June 30, 2015, held on behalf of the Fullerton Joint Union High School District Educational Foundation are presented below.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities are provided above.

<u>Uncategorized Investments:</u>	<u>Maturities</u>	<u>Fair Value</u>
FSA Capital Management Services LLC Guaranteed Investment Agreement (GIC)	8/27/2036	\$2,020,926

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk. The FSA Capital Management Services Guaranteed Investment Agreement was liquidated in September 2015 and is not rated.

NOTE 4 – INTERFUND TRANSACTIONS:

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

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2015 are temporary loans and are detailed as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 137,330	\$ 282,580
Building Fund	7	2,087
Non-Major Funds:		
Special Revenue Funds:		
Child Development	11	13,489
Cafeteria	46	117,859
Capital Projects Funds:		
Capital Facilities	489	487
Capital Projects Fund for Blended Component Units	1	278
Proprietary Funds:		
Internal Service	282,026	3,130
Totals	<u>\$ 419,910</u>	<u>\$ 419,910</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 4 – INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2014–15 fiscal year are as follows:

Transfer from the General Fund to Child Development fund to cover Cal-Safe student support program overage cost	\$ 299,753
Transfer from the Debt Service Fund for Special Tax Bonds to the Capital Projects Fund for Blended Component Units to cover administrative costs	<u>20,000</u>
Totals	<u>\$ 319,753</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5 – FUND BALANCES:

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

	<u>General Fund</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Revolving cash	\$ 50,000	\$	\$ 9,312	\$ 59,312
Inventory	128,042		21,739	149,781
Prepaid Expenditures	<u>53,517</u>			<u>53,517</u>
Total Nonspendable	<u>231,559</u>	<u>-</u>	<u>31,051</u>	<u>262,610</u>
Restricted				
Legally restricted programs	1,760,328		551	1,760,879
Child nutrition program			950,350	950,350
Debt service			3,211,584	3,211,584
Capital projects		<u>9,138,554</u>	<u>4,052,685</u>	<u>13,191,239</u>
Total Restricted	<u>1,760,328</u>	<u>9,138,554</u>	<u>8,215,170</u>	<u>19,114,052</u>
Committed				
Education enhancement - "Focus- on-the Future" plan	<u>5,168,345</u>			<u>5,168,345</u>
Total Committed	<u>5,168,345</u>	<u>-</u>	<u>-</u>	<u>5,168,345</u>
Assigned				
Child development program			29,345	29,345
Deferred maintenance program	1,815,404			1,815,404
Postemployment benefits	7,924,615			7,924,615
Other assignments	<u>6,287,347</u>		<u>1,894</u>	<u>6,289,241</u>
Total Assigned	<u>16,027,366</u>	<u>-</u>	<u>31,239</u>	<u>16,058,605</u>
Unassigned				
Economic uncertainties	4,074,905			4,074,905
Unassigned	<u>9,306,940</u>			<u>9,306,940</u>
Total Unassigned	<u>13,381,845</u>	<u>-</u>	<u>-</u>	<u>13,381,845</u>
Total fund balances	<u>\$ 36,569,443</u>	<u>\$ 9,138,554</u>	<u>\$ 8,277,460</u>	<u>\$ 53,985,457</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – CAPITAL ASSETS AND DEPRECIATIONS – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2015 is shown below:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Capital assets not depreciated:				
Land	\$ 3,485,921	\$	\$	\$ 3,485,921
Construction in progress	4,814,015	210,974	4,692,257	332,732
Total capital assets not depreciated	<u>8,299,936</u>	<u>210,974</u>	<u>4,692,257</u>	<u>3,818,653</u>
Capital assets depreciated:				
Site Improvements	44,471,126			44,471,126
Buildings	167,619,714	2,391,220		170,010,934
Furniture, Equipment, and Vehicles	14,996,611	1,537,463		16,534,074
Total of capital assets depreciated	<u>227,087,451</u>	<u>3,928,683</u>	<u>-</u>	<u>231,016,134</u>
Less accumulated depreciation for:				
Site improvements	5,286,578	414,680		5,701,258
Buildings	46,481,972	4,181,474		50,663,446
Furniture, Equipment, and Vehicles	15,006,451	352,971		15,359,422
Total accumulated depreciation	<u>66,775,001</u>	<u>4,949,125</u>	<u>-</u>	<u>71,724,126</u>
Governmental activities capital assets, net	<u>\$ 168,612,386</u>	<u>\$ (809,468)</u>	<u>\$ 4,692,257</u>	<u>\$ 163,110,661</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS:

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.

The total outstanding bonded debt of the District at June 30, 2015 is as follows:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2015</u>
Series A	September 2002	1.20% to 5.00%	August 2017	\$ 37,997,910	\$ 1,700,000	\$	\$	\$ 1,700,000
Series B	March 2005	3.00% to 5.25%	August 2015	29,940,000	1,600,000		775,000	825,000
2010 Refunding	September 2010	2.00% to 3.80%	August 2027	29,120,000	26,970,000		1,075,000	25,895,000
2013 Refunding	May 2013	2.00% to 5.00%	August 2029	21,700,000	21,375,000			21,375,000
					<u>\$ 51,645,000</u>	<u>\$ -</u>	<u>\$ 1,850,000</u>	<u>\$ 49,795,000</u>

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. At June 30, 2015, accreted interest accrued and included in long term debt totaled \$489,586. The bonds were issued to finance the acquisition and improvements of real property and the furnishing and equipping of school facilities for the District. Proceeds from the 2010 Election General Obligation Refunding Bond were used to pay the majority of the remaining balance.

Payment

The annual requirements to amortize the 2002 General Obligation Bonds, Series A bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year End June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2016	\$	\$	\$ -
2017			-
2018	<u>1,210,414</u>	<u>489,586</u>	<u>1,700,000</u>
Total	<u>\$ 1,210,414</u>	<u>\$ 489,586</u>	<u>\$ 1,700,000</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

Series 2003 Series B

On March 5, 2005, the District offered for sale an additional \$29,940,000 2002 General Obligation Bonds, Series B. The bonds were issued to finance the acquisition and improvements of real property and the furnishing and equipping of school facilities for the District.

Payment

Interest due is payable semiannually on February 1 and August 1 of each year. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

The annual requirements to amortize the 2002 General Obligation Bonds, Series B bonds payable, outstanding as of June 30, 2015, are as follows:

Year End June 30,	Principal	Interest	Total
2016	\$ 825,000	\$ 16,500	\$ 841,500
Total	\$ 825,000	\$ 16,500	\$ 841,500

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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

2010 General Obligation Refunding Bonds (continued)

Payment

Interest due is payable semiannually on February 1 and August 1 of each year. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

The annual requirements to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2015, are as follows:

Year End June 30,	Principal	Interest	Total
2016	\$ 1,185,000	\$ 1,056,913	\$ 2,241,913
2017	1,335,000	1,006,213	2,341,213
2018	-	979,513	979,513
2019	1,750,000	944,813	2,694,813
2020	1,900,000	862,313	2,762,313
2021-2025	11,425,000	2,932,000	14,357,000
2026-2028	<u>8,300,000</u>	<u>453,844</u>	<u>8,753,844</u>
Total	<u>\$ 25,895,000</u>	<u>\$ 8,235,609</u>	<u>\$ 34,130,609</u>

Proceeds received in excess of long-term debt are added to the maturity amount and are amortized to interest expense over the life of the liability. The bonds included a premium of \$2,938,643. This amount is amortized using the straight-line method. Amortization of \$172,861 was recognized during the 2014-15 year.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

2013 General Obligation Refunding Bonds (continued)

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.

Payment

Interest due is payable semiannually on February 1 and August 1 of each year. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

The annual requirements to amortize the 2013 General Obligation Refunding Bonds payable, outstanding as of June 30, 2015, are as follows:

Year End			
June 30,	Principal	Interest	Total
2016	\$	\$ 1,000,950	\$ 1,000,950
2017	705,000	986,850	1,691,850
2018	590,000	960,950	1,550,950
2019	660,000	935,950	1,595,950
2020	685,000	912,475	1,597,475
2021-2025	4,705,000	4,094,900	8,799,900
2026-2030	<u>14,030,000</u>	<u>2,285,250</u>	<u>16,315,250</u>
Total	<u>\$ 21,375,000</u>	<u>\$ 11,177,325</u>	<u>\$ 32,552,325</u>

Proceeds received in excess of long-term debt are added to the maturity amount and are amortized to interest expense over the life of the liability. The bonds included a premium of \$3,986,816. This amount is amortized using the straight-line method. Amortization of \$249,176 was recognized during the 2014-15 year.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 – CERTIFICATES OF PARTICIPATION:

On March 15, 2007, the Foundation issued \$22,255,000 in certificates of participation with interest rates ranging from 3.75% to 5.00%. The Certificates were issued for financing the construction of certain capital improvements to the facilities of the District. The payments are made by redevelopment funds.

Interest is payable on March 1 and September 1 of each year commencing September 1, 2007; principal payments are payable on September 1 of each year commencing August 1, 2016.

Future debt service payments are as follows:

Year End June 30,	Principal	Interest	Total
2016	\$	\$ 1,103,625	\$ 1,103,625
2017	100,000	1,101,125	1,201,125
2018	150,000	1,095,625	1,245,625
2019	250,000	1,087,938	1,337,938
2020	450,000	1,074,250	1,524,250
2021-2025	4,055,000	4,887,375	8,942,375
2026-2030	5,300,000	3,583,750	8,883,750
2031-2035	6,150,000	2,290,000	8,440,000
2036-2037	5,800,000	346,250	6,146,250
Total	<u>\$ 22,255,000</u>	<u>\$ 16,569,938</u>	<u>\$ 38,824,938</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	Balance 7/1/2014 ⁽²⁾	Adjustment ⁽¹⁾	Additions	Deductions	Balance June 30, 2015	Amount Due in One Year
General obligation bonds						
2002 series A	\$ 1,700,000	\$	\$	\$	\$ 1,700,000	\$
2002 series B	1,600,000			775,000	825,000	825,000
2010 refunding bonds	26,970,000			1,075,000	25,895,000	1,185,000
2013 refunding bonds	21,375,000				21,375,000	
Unamortized premium	6,157,699			422,037	5,735,662	
Certificates of participation	22,255,000				22,255,000	
Compensated absences	670,303	434,137		169,676	934,764	441,840
Net pension liability	131,049,003			27,413,549	103,635,454	
OPEB obligation	9,007,948		2,595,789		11,603,737	
	<u>\$ 220,784,953</u>	<u>\$ 434,137</u>	<u>\$ 2,595,789</u>	<u>\$ 29,855,262</u>	<u>\$ 193,959,617</u>	<u>\$ 2,451,840</u>

(1) The compensated absence balance was adjusted to record short-term liabilities not accrued in the prior fiscal year.

(2) The beginning balance was restated to reflect beginning net pension liability. See note 16

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, net pension liabilities and OPEB obligations. The general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's Office through the Bond Interest and Redemption Fund. Certificates of participation liabilities are liquidated by redevelopment funds.

NOTE 10 – NON-OBLIGATORY DEBT:

Non-obligatory debt relates to debt issuances by the Community Facility District, as authorized by the MelloRoos 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 \$1,695,000 as of June 30, 2015, 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 FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – 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, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liabilities, pension expense and deferred inflows of resources for each of the above plans and a deferred outflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 84,733,650	\$ 5,489,463	\$ 20,865,500	\$ 7,315,250
CalPERS	<u>18,901,804</u>	<u>2,062,164</u>	<u>7,792,844</u>	<u>1,232,408</u>
Totals	<u>\$ 103,635,454</u>	<u>\$ 7,551,627</u>	<u>\$ 28,658,344</u>	<u>\$ 8,547,658</u>

The details of each plan are as follows:

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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 exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$5,489,463.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

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

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

At June 30, 2015, 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:

District proportionate share of net pension liability	\$	84,733,650
State's proportionate share of the net pension liability associated with the District		<u>51,166,350</u>
Total	\$	<u>135,900,000</u>

The net pension liability was measured as of June 30, 2014. 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, 2014, the District's proportion was 0.1450%.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

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

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

For the year ended June 30, 2015, the District recognized pension expense of \$7,315,250 including pension expense and revenue of \$4,417,308 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,489,463	\$
Net differences between projected and actual earnings on plan investments		20,865,500
Total	\$ 5,489,463	\$ 20,865,500

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources are amortized over a closed 5-year period and remaining unamortized balances will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 5,216,375
2017	5,216,375
2018	5,216,375
2019	5,216,375
	\$ 20,865,500

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

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

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-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:

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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 (7.60%) 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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 132,077,600
Current discount rate (7.60%)	84,733,650
1% increase (8.6%)	45,257,400

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

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

Plan Fiduciary Net Position

Detailed information about CalSTRS plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, and 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 provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided (continued)

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
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	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$2,062,164.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$18,901,804. The net pension liability was measured as of June 30, 2014. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013 and rolling forward the total pension liability to June 30, 2014. 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, 2014, the District's proportion was 0.1665%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,232,408. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,062,164	\$
Change in contribution proportion		1,297,972
Net differences between projected and actual earnings on plan investments		6,494,872
Total	<u>\$ 2,062,164</u>	<u>\$ 7,792,844</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources are amortized over a closed periods ranging from 3.9 to 5 years and remaining amounts will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amortization</u>
2016	\$ 2,071,294
2017	2,071,294
2018	2,026,538
2019	1,623,718
	<u>\$ 7,792,844</u>

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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 five years of projected ongoing mortality improvement using Scale AA 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 rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 33,158,079
Current discount rate (7.50%)	18,901,804
1% increase (8.50%)	6,989,249

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer 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 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description and Eligibility

The District administers a single employer defined benefit healthcare plan (the Plan). The plan provides health, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 72 retirees and beneficiaries currently receiving benefits, and 988 active Plan members. Benefit provisions are established through negotiations between the District and bargaining units and are renegotiated each bargaining period. The Plan does not issues a separate financial statement.

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 cost of HMO single coverage. For fiscal year ended 2015, the District contributed \$1,082,893 to the plan.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$ 3,650,054
Interest on net OPEB obligation	427,878
Adjustment to annual required contribution	<u>(399,250)</u>
Annual OPEB cost (expense)	3,678,682
Contributions made	<u>(1,082,893)</u>
Change in net OPEB obligation	2,595,789
Net OPEB obligation - Beginning of Year	<u>9,007,948</u>
Net OPEB Obligation - End of Year	<u>\$ 11,603,737</u>

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 3,057,257	40.0%	\$ 6,619,789
2014	3,687,641	35.0%	9,007,948
2015	3,678,682	29.4%	11,603,737

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of March 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$28,703,889. The covered payroll (annual payroll of active employees covered by the plan) was \$81,227,573, and the ratio of the UAAL to the covered payroll was 35.34%. Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2014, the fund's balance was \$7,925,615.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Actuarial Methods and Assumptions (continued)

In the March 1, 2014 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets, if any, and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75% inflation assumption. The UAAL is being amortized as a level dollar of projected payroll on an open basis.

NOTE 13 – RISK MANAGEMENT:

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:

<u>Insurance Program</u>	<u>Limits</u>
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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 13 – RISK MANAGEMENT: (continued)

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 2015 or 2014 which exceeded the excess insurance amount. At June 30, 2015, the District was involved in claims for permanent disability benefits estimated at \$580,000. As the outcome of these claims is unpredictable an accrual has not been recorded. Claims liability (IBNR) for the dental program was not deemed material and has not been recorded in the financial statements. Changes in the claims liability for workers' compensation in fiscal years 2014-15 were as follows:

Liability Balance, July 1, 2013	\$ 4,075,060
Claims and changes in estimates	5,827,874
Claims payments	<u>(5,398,239)</u>
Liability Balance, July 1, 2014	4,504,695
Claims and changes in estimates	1,713,600
Claims payments	<u>(1,479,545)</u>
Liability Balance, July 1, 2015	<u>\$ 4,738,750</u>
Cash available for claims payments at June 30, 2015	<u>\$ 4,506,865</u>

NOTE 14 – 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)

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 governing board controls the operations of the JPA independent of any influence by the District beyond the District's representation on the governing boards.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 14 – JOINT POWERS AGREEMENTS: (continued)

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 a representative 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.

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 none of the JPAs is a component unit of the district for financial reporting purposes.

The most current condensed financial information available is as follows:

	ASCIP 6/30/2015 (Unaudited)	SELF 6/30/2015 (Audited)	SISC 6/30/2014 (Audited)	NOCROP 6/30/2014 (Audited)
Total Assets and Deferred Outflow	\$ 370,258,738	\$ 154,826,708	\$ 304,614,232	\$ 25,931,079
Total Liabilities and Deferred Inflows	<u>212,434,841</u>	<u>122,637,079</u>	<u>159,022,820</u>	<u>2,734,565</u>
Fund Balance	<u>\$ 157,823,897</u>	<u>\$ 32,189,629</u>	<u>\$ 145,591,412</u>	<u>\$ 23,196,514</u>
Total Revenues	228,708,267	11,968,752	1,519,341,871	23,659,446
Total Expenditures	<u>216,333,100</u>	<u>23,063,637</u>	<u>1,541,013,235</u>	<u>22,631,974</u>
Change in Fund Balance	<u>\$ 12,375,167</u>	<u>\$ (11,094,885)</u>	<u>\$ (21,671,364)</u>	<u>\$ 1,027,472</u>

Complete financial statements can be obtained directly from each JPA.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 15 – ADJUSTMENT FOR RECLASSIFICATION:

The beginning fund balance of the general fund and the non-major governmental funds has been reclassified as a result of the consolidation of the Deferred Maintenance Fund in accordance with the requirements of GASB Statement No. 54.

NOTE 16 – CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE UNRESTRICTED NET POSTION:

As a result of implementing GASB statements No. 68 and No. 71, the beginning net position of the basic financial statements has been restated by (\$123,711,155) to recognize the beginning balance of (\$131,049,003) in net pension liability and \$7,337,848 in deferred outflows of resources. The beginning net position was not restated for the effect of deferred inflows as the amount was not practical to determine.

The effect of this implementation has resulted in a negative unrestricted net position balance at June 30, 2015. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

A. Litigation

At times, 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 any such matters will not have a material adverse effect on the District's financial statements.

B. State and Federal Allowances, Award, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs that 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.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 17 – COMMITMENTS AND CONTINGENCIES: (continued)

C. County School Facilities Fund

The District is currently involved in modernization projects funded through the State School Facilities Program which is accounted for in the County School Facilities Fund. This project is subject to future audits by the State, which may result in adjustments to the fund.

D. Construction Commitments

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$121,000. Projects will be funded through the Building Fund.

NOTE 18 – SUBSEQUENT EVENTS:

A. Certificates of Participations

On September 1, 2015, the District issued \$20,525,000 of Certificates of Participation (the Certificates) through the Fullerton Joint Union High School District. The Certificates were sold with interest rates of 3.00% to 5.00% with a final maturity on September 1, 2036. The funds will be used to refund the 2007 Certificates of Participation, to purchase a reserve fund municipal bond issuance policy in lieu of cash funding a reserve fund for the Certificates, and to pay the costs of the financing.

B. General Obligation Bonds Series A (2015)

On October 14, 2015 the District issued \$42,500,000 of General Obligation Bonds–, (the Bonds) Series A (2015). The Bonds were sold to finance the acquisition and construction of education facilities and projects. The Bonds were sold with interest rates of 2% to 5% with a final maturity of August 1, 2040. This represents the first issuance of a total not to exceed \$175,000,000, which was approved by the voters of the District on November 4, 2014.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 72 – Fair Value Measurement and Application

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015–16.

Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non–employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension–related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015–16 except those provisions that address employers and governmental non–employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016–17.

Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016–17.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 19 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

***Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits
Other Than Pensions***

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017–18.

***GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles
for State and Local Governments***

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015–16.

GASB Statement No. 77 – Tax Abatement Disclosures

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016–17.

REQUIRED SUPPLEMENTARY INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2015**

	Budgetary Amounts - General Fund		Actual Amounts	(a) Fund Basis to	Actual Amounts
	Original	Final	(c) Fund	GAAP	GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	\$ 68,104,529	\$ 62,175,021	\$ 61,066,795	\$ 200,000	\$ 61,266,795
Local sources	46,321,862	52,492,611	53,686,823		53,686,823
Total local control funding formula sources:	114,426,391	114,667,632	114,753,618	200,000	114,953,618
Federal Sources	5,355,495	7,162,813	5,490,680		5,490,680
State Sources	8,845,910	10,368,216	9,879,218		9,879,218
County, Local, and Other Sources	12,007,159	13,391,156	12,652,571	50,908	12,703,479
Total Revenues	140,634,955	145,589,817	142,776,087	250,908	143,026,995
Expenditures					
Certificated Salaries	63,869,509	62,837,052	62,407,062		62,407,062
Classified Salaries	18,684,744	18,743,911	18,070,101		18,070,101
Employee benefits	32,781,174	31,276,098	31,374,363		31,374,363
Books and supplies	6,119,767	6,937,397	4,857,111	81,670	4,938,781
Services and other operating expenditures	12,903,294	13,798,027	11,946,619	70,289	12,016,908
Capital Outlay	624,410	576,375	576,375	5,979	582,354
Debt service	663,170	663,170	663,170		663,170
Tuition and other outgo	9,037,784	9,142,978	9,109,894		9,109,894
Total Expenditures	144,683,852	143,975,008	139,004,695	157,938	139,162,633
Excess (deficiency) of revenues over expenditures	(4,048,897)	1,614,809	3,771,392	92,970	3,864,362
Other Financing Sources (Uses)					
Interfund transfers in (b)	805,177	805,177	805,177	(805,177)	-
Interfund transfers out	(299,753)	(299,753)	(299,753)		(299,753)
Total Other Financing Sources (Uses)	505,424	505,424	505,424	(805,177)	(299,753)
Net Change in fund balances	\$ (3,543,473)	\$ 2,120,233	4,276,816	(712,207)	3,564,609
Fund Balance - Beginning of Year			17,384,263	15,620,571	33,004,834
Fund Balance - End of Year			\$ 21,661,079	\$ 14,908,364	\$ 36,569,443

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund, Special Reserve Other than Capital Outlay, and the Special Reserve Fund for Postemployment Benefits. See Note 1B.

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

(c) On behalf of CalSTRS payments of \$3,474,293 are included in the final budget and actual revenue and expenditures amounts

See the accompanying notes to the required supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.1450%
District's proportionate share of the net pension liability (asset)	\$ 84,733,650
State's proportionate share of the net pension liability (asset) associated with the District	<u>51,166,350</u>
Total	<u>\$135,900,000</u>
District's covered-employee payroll	\$61.2 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.45%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

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'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – SCHOOLS POOL PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.1665%
District's proportionate share of the net pension liability (asset)	<u>\$ 18,901,804</u>
District's covered-employee payroll	\$17.4 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.63%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

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
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
Contractually required contribution	\$ 5,489,463
Contributions in relation to the contractually required contribution	<u>5,489,463</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$61.7 Million
Contributions as a percentage of covered-employee payroll	8.88%

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 DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – SCHOOLS POOL PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
Contractually required contribution	\$ 2,062,164
Contributions in relation to the contractually required contribution	<u>2,062,164</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$17.5 Million
Contributions as a percentage of covered-employee payroll	11.77%

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 POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
11/1/2008	\$	\$ 16,412,549	\$ 16,412,549	0%	\$ 80,132,000	20.5%
3/1/2012		23,688,155	23,688,155	0%	81,236,090	29.2%
3/1/2014		28,703,889	23,703,889	0%	81,227,573	35.3%

See the accompanying notes to the required supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES:

A. **Schedule of Budgetary Comparison For The General Fund**

GASB requires a budgetary comparison be presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. 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).

B. **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.

C. **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.

D. **Schedule of Postemployment Healthcare Benefits Funding Progress**

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund for the following major object:

Employee Benefits	\$98,265
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SUPPLEMENTARY INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2015

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, 2015 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Barbara Kilponen	President	November 30, 2016
Robert N. Hathaway	Clerk	November 30, 2018
Marilyn Buchi	Member	November 30, 2018
Andy Montoya	Member	November 30, 2016
Robert Singer, Ph.D.	Member	November 30, 2018

DISTRICT ADMINISTRATORS

Scott Scambray, Ed.D.	Superintendent (Effective July 1, 2015)
Ed Atkinson	Assistant Superintendent – Human Services
Ron Lebs	Assistant Superintendent – Business Services
Sylvia Kaufman	Assistant Superintendent, Education and Assessment Services
Jennifer Williams	Director, Administrative Services

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2015

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, 2015 are as follows:

	<u>Revised Second Period</u>	<u>Annual</u>
Grades nine through twelve		
Regular ADA	13,798	13,702
Extended year special education	29	29
Special education - nonpublic, nonsectarian schools	<u>22</u>	<u>23</u>
Total grades nine through twelve ADA	<u>13,849</u>	<u>13,754</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, 2015

<u>Grade Level</u>	<u>2014-2015 Minutes</u>			<u>Number of Days Traditional Calendar</u>	<u>Status</u>
	<u>Normal Requirement</u>	<u>Reduced Requirement</u>	<u>Actual Minutes</u>		
Grade 9	64,800	63,000	64,832	180	In Compliance
Grade 10	64,800	63,000	64,832	180	In Compliance
Grade 11	64,800	63,000	64,832	180	In Compliance
Grade 12	64,800	63,000	64,832	180	In Compliance

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Pass-Through From North Orange County SELPA			
Special Education Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 1,914,614
Mental Health allocation, Part b, Section 611	84.027A	14468	544,163
Total Special Education (IDEA) Cluster			<u>2,458,777</u>
Pass-Through From The California Department of Education			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	307,028
Title I, Part A - Low Income and Neglected	84.010	14329	1,321,683
Title II, Part A - Improving Teacher Quality	84.367	14341	268,126
Title III - Limited English Proficiency	84.365	14346	146,982
AP Testing	84.000	(1)	90,206
International Baccalaureate	84.000	(1)	23,580
Total United States Department of Education			<u>4,616,382</u>
United States Department of Agriculture			
Pass-Through From The California Department of Education			
Child Nutrition Cluster:			
Child Nutrition Program-Lunch	10.555	13391	1,948,727
Child Nutrition Program-Severe Need Breakfast	10.555	13391	289,246
Child Nutrition Program-Commodities	10.555	13391	168,403
Total Child Nutrition Cluster			<u>2,406,376</u>
Child Nutrition Program-Child and Adult Care Food Program	10.558	13389	9,533
Total United States Department of Agriculture			<u>2,415,909</u>
United States Department of Defense			
Junior Reserve Officer Training Corps Program	12.000	(1)	637,522
Total United States Department of Defense			<u>637,522</u>
United States Department of Health and Human Services			
Pass-Through From The California Department of Education			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	243,639
Total United States Department of Health and Human Services			<u>243,639</u>
Total Federal Programs			<u>\$ 7,913,452</u>
Reconciliation of Federal Revenue			
Total Federal Program Expenditures			\$ 7,913,452
Revenues in excess (deficiency) of expenditures related to Federal Entitlements:			
Medi-Cal	93.778		(6,863)
Total Federal Program Revenue			<u>\$ 7,906,589</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
SUMMARY OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2016</u>	<u>2015 (1)</u>	<u>2014 (2)</u>	<u>2013 (2)</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
<u>GENERAL FUND</u>				
Revenue	\$ 161,267,786	\$ 142,776,087	\$ 136,181,298	\$ 128,911,412
Other Sources and Transfers In	805,177	805,177		
Total Revenue and Other Sources	<u>162,072,963</u>	<u>143,581,264</u>	<u>136,181,298</u>	<u>128,911,412</u>
Expenditures	149,127,711	139,004,695	136,702,848	134,600,907
Other Uses and Transfers Out	269,450	299,753	306,011	32,621
Total Expenditures and Other Uses	<u>149,397,161</u>	<u>139,304,448</u>	<u>137,008,859</u>	<u>134,633,528</u>
 Change in Fund Balance	 <u>\$ 12,675,802</u>	 <u>\$ 4,276,816</u>	 <u>\$ (827,561)</u>	 <u>\$ (5,722,116)</u>
 Ending Fund Balance	 <u>\$ 34,336,881</u>	 <u>\$ 21,661,079</u>	 <u>\$ 15,852,351</u>	 <u>\$ 16,679,912</u>
 Available Reserve	 <u>\$ 20,955,502</u>	 <u>\$ 13,381,845</u>	 <u>\$ 8,004,401</u>	 <u>\$ 8,661,875</u>
 Reserve Percentage	 <u>14.4%</u>	 <u>9.8%</u>	 <u>6.0%</u>	 <u>6.6%</u>
 Average Daily Attendance	 <u>13,849</u>	 <u>13,849</u>	 <u>13,905</u>	 <u>13,941</u>
 Total Long-Term Debt	 <u>\$ 191,507,777</u>	 <u>\$ 193,959,617</u>	 <u>\$ 94,240,645</u>	 <u>\$ 93,852,209</u>

IMPORTANT NOTES:

(1) Amounts above are those reported as General Fund in the *Annual Financial and Budget Report* and do not include special revenue funds reported with the General Fund in the basic financial statements.

(2) Fiscal years 2013 and 2014 were audited by another firm and included the activities of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Post Employment Benefits under GASB Statement No. 54 consolidation. Prior year's Long-Term Debt has not been restated for the effects of GASB Statement No. 68 and No. 71 implementation.

The 2016 Budget is the budget adopted on June 9, 2015.

Available reserve are those amounts reserved for economic uncertainty and any other remaining unassigned fund balances in the General Fund.

Average daily attendance is at Second Period.

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2015**

Fullerton Joint Union High School 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 ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

There were no differences between the fund balances reported on the June 30, 2015 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES:

A. 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.

B. Schedule of Instructional Time

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.

The District met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

C. Schedules of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule is presented on the modified accrual basis of accounting.

D. Schedule of Financial Trends and Analysis

The *2014-15 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 schedule is intended to identify if the District has potential fiscal problems and if they have met the recommended available reserve percentages.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES: (continued)

E. Schedule of Charter Schools

The *2014–15 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.

F. 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

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

June 30, 2015

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School 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
Assets								
Cash in country treasury	\$ 45,882	\$ 818,473	\$ 3,401,564	\$ 546,464	\$ 24,690	\$ 228,051	\$ 3,211,584	\$ 8,276,708
Cash on hand and in banks		970						970
Cash in revolving fund		9,312						9,312
Accounts receivable:								
Federal and State governments		321,366						321,366
Miscellaneous	19	467	1,294	204	9	86		2,079
Due from other funds	11	46	489			1		547
Stores Inventories		21,739						21,739
Total Assets	\$ 45,912	\$ 1,172,373	\$ 3,403,347	\$ 546,668	\$ 24,699	\$ 228,138	\$ 3,211,584	\$ 8,632,721
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	\$ 2,527	\$ 60,853	\$ 143,698	\$ 661	\$ 1	\$ 5,042	\$	\$ 212,782
Due to other funds	13,489	117,859	487			278		132,113
Unearned revenue		10,366						10,366
Total Liabilities	16,016	189,078	144,185	661	1	5,320	-	355,261
Fund Balances								
Nonspendable		31,051						31,051
Restricted	551	950,350	3,259,162	546,007	24,698	222,818	3,211,584	8,215,170
Assigned	29,345	1,894						31,239
Total Fund Balances	29,896	983,295	3,259,162	546,007	24,698	222,818	3,211,584	8,277,460
Total Liabilities and Fund Balances	\$ 45,912	\$ 1,172,373	\$ 3,403,347	\$ 546,668	\$ 24,699	\$ 228,138	\$ 3,211,584	\$ 8,632,721

See the accompanying notes to the optional supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School 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
Revenues								
Revenues from federal sources	\$ 9,533	\$ 2,406,376	\$	\$	\$	\$	\$	\$ 2,415,909
Revenue from other state sources	641	170,436				32,168		203,245
Revenue from local sources	578	716,378	3,442,161	4,389	102	1,082	4,054,421	8,219,111
Total Revenues	<u>10,752</u>	<u>3,293,190</u>	<u>3,442,161</u>	<u>4,389</u>	<u>102</u>	<u>1,082</u>	<u>4,086,589</u>	<u>10,838,265</u>
Expenditures								
Instructions	265,711							265,711
Pupil services	21,038	2,805,382						2,826,420
General administration	11,057	95,774			209	59,692		106,831
Plant services			105,087	286,369				451,357
Other outgoing			2,186,934					2,186,934
Debt service							4,001,563	4,001,563
Total Expenditures	<u>297,806</u>	<u>2,901,156</u>	<u>2,292,021</u>	<u>286,369</u>	<u>209</u>	<u>59,692</u>	<u>4,001,563</u>	<u>9,838,816</u>
Excess (deficiency) of revenues over expenditures	(287,054)	392,034	1,150,140	(281,980)	(107)	(58,610)	85,026	999,449
Other Financing Sources (Uses)								
Interfund transfers in	299,753					20,000		319,753
Total Other Financing Sources (Uses)	<u>299,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>319,753</u>
Net Change in fund balances	12,699	392,034	1,150,140	(281,980)	(107)	(38,610)	85,026	1,319,202
Fund Balances at Beginning of Year	<u>17,197</u>	<u>591,261</u>	<u>2,109,022</u>	<u>827,987</u>	<u>24,805</u>	<u>261,428</u>	<u>3,126,558</u>	<u>6,958,258</u>
Fund Balances at End of Year	<u>\$ 29,896</u>	<u>\$ 983,295</u>	<u>\$ 3,259,162</u>	<u>\$ 546,007</u>	<u>\$ 24,698</u>	<u>\$ 222,818</u>	<u>\$ 3,211,584</u>	<u>\$ 8,277,460</u>

See the accompanying notes to the optional supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES:

Combining fund balance sheets and statements of revenues, expenditures, and changes in fund balances have 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 REPORTS



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

Board of Trustees
Fullerton Joint Union High School District
1051 W. Bastanchury Road
Fullerton, California 92833

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 Fullerton Joint Union High School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2015.

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.

**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***

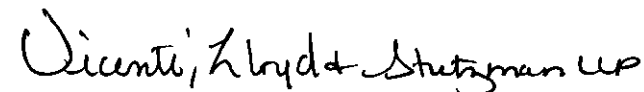
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fullerton Joint Union High School District's financial statements are free of 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.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 28, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Board of Trustees
Fullerton Joint Union High School District
1051 W. Bastanchury Road
Fullerton, California 92833

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) Circular A-133 *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, 2015. 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 the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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, 2015.

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 OMB Circular A-133, 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.

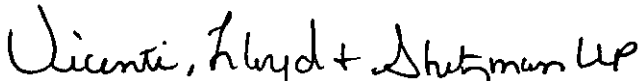
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of 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 OMB CIRCULAR A-133**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN^{LLP}
Glendora, California
October 28, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Fullerton Joint Union High School District
1051 W. Bastanchury Road
Fullerton, California 92833

We have audited the Fullerton Joint Union High School District's compliance with the types of compliance requirements described in the *2014-15 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, 2015. The District's State compliance requirements are identified in the table below.

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 *2014-15 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:

<u>Description</u>	<u>Procedures Performed</u>
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Not applicable
Independent study	No ¹
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
Regional occupational centers or programs maintenance of effort	No ²
Adult education maintenance of effort	Not applicable
California clean energy jobs act	Yes
After school education and safety program	Not applicable
Proper expenditure of education protection account funds	Yes
Common core implementation funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Local control and accountability plan	Yes
Charter Schools:	
Attendance	No ³
Mode of instruction	No ³
Nonclassroom–based instruction/independent study	No ³
Determination of funding for nonclassroom–based instruction	No ³
Annual instructional minutes – classroom based	No ³
Charter school facility grant program	No ³

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

² The District is a member of the North Orange County Regional Occupational Program (NOCROP) JPA. Funds are passed through to NOCROP which is audited by other auditors.

³ The District is not the granting agency for any Charter Schools.

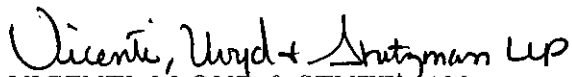
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the Fullerton Joint Union High School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

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 *2014-15 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.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 28, 2015

FINDINGS AND RECOMMENDATIONS

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS**

June 30, 2015

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
Reported in accordance with Circular A-133,
Section .510(a) Yes No

Identification of major programs tested

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A	Special Education Cluster
10.555	Child Nutrition Cluster
12.000	Junior Reserve Officer Training Corps Program
84.048	Cal D Perkins Career and Technical Education, Secondary, Section 131

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS, FEDERAL AWARDS
AND STATE AWARDS
June 30, 2015

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

There were no findings and questioned costs related to the basic financial statements, federal award or state award for the year ended June 30, 2015.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

There were no audit findings reported in the prior year's schedule of financial statement findings, federal award findings or state award findings.

CONTINUING DISCLOSURE INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2015

Assessed valuation for fiscal year 2014–15	\$ 30,349,329,221
Secured tax levies for fiscal year 2014–15	\$ 44,880,492
Secured tax delinquencies for fiscal year 2014–15	\$ 492,665
Secured tax collections for fiscal year 2014–15	\$ 44,387,827

LARGEST LOCAL SECURED TAXPAYERS
Fullerton Joint Union High School District
Fiscal Year 2014-15

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. Comref So Cal Industrial Sub A, F & G LLC	Industrial	\$ 142,363,153	0.52 %
2. Realty Associates Fund IX LP	Commercial	114,236,536	0.41
3. CVS Pharmacy Inc.	Industrial	96,779,347	0.35
4. La Habra Associates LLC	Commercial	91,158,334	0.33
5. Alticor Inc.	Industrial	89,659,674	0.33
6. University House Fullerton LLC	Apartment	83,740,661	0.30
7. Rreef America REIT II Corp.	Industrial	80,874,647	0.29
8. Corecare III	Apartment	72,717,719	0.26
9. Hughes Drive Acquisitions	Commercial	66,801,910	0.24
10. PRI Buena Park Industrial CA LLC	Industrial	64,835,889	0.24
11. La Habra Westridge Partners LP	Commercial	63,070,227	0.23
12. Breitburn Energy Partners LP	Oil & Gas	60,550,324	0.22
13. Amerige Heights Apartments LLC	Apartment	59,177,166	0.21
14. Fullerton LLC	Industrial	57,479,107	0.21
15. PK I Fullerton Town Center LP	Commercial	56,308,310	0.20
16. CPT Parkside LP	Apartment	55,063,956	0.20
17. SFERS Real Esate Corp, RR	Industrial	52,754,548	0.19
18. Fullerton Metro Center LLC	Commercial	51,945,568	0.19
19. Metropolitan Life Insurance Company	Industrial	48,875,238	0.18
20. Costco Wholesale Corp.	Commercial	42,891,259	0.16
Total Top 20		<u>\$ 1,451,283,573</u>	<u>5.27 %</u>

Source: California Municipal Statistics, Inc.

(1) % of local secured assessed valuation: \$27,553,188,439.