FULLERTON SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

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

FULLERTON SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fullerton School District
Fullerton, California

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

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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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 proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 78 to 81 and the schedule of expenditures of federal awards on page 82 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 basic financial statements as a whole. The information on page 77 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC.

Murrieta, California
November 19, 2019

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Fullerton School District is a large suburban school district offering instruction to students from transitional kindergarten through eighth grade, including programs for preschool and special education. During the 2018-19 school year, the District operated fifteen elementary schools, two K-8 schools, and three junior high schools, on the traditional August through May schedule, for the instruction of approximately 12,995 students.

MISSION STATEMENT

The mission of the Fullerton School District is to work collaboratively with the community to provide an innovative, high-quality educational program for all students in a safe learning environment. Our motto, *"Great Schools - Successful Kids"* exemplifies the belief that all students will achieve academic excellence, acquire interpersonal skills, and develop technological expertise to contribute as productive citizens in a democratic society.

Focusing on Excellence

Student Learning

- Prepare students to be successful in high school, college and career by fostering students' personalized interest and passion as well as increasing student self-efficacy through mastery of grade level content standards, technology, and the 5 C's (communication, collaboration, creativity, critical thinking, character) needed for students to be innovative in the 21st Century. Students will be able to identify interests and a pathway to college and career by 8th grade. Additionally, students prepared to take A-G requirements will increase.

Budget and Resources

- Ensure long-term District financial stability that provides adequate funding for all desired programs, facilities, and the resources necessary to attract highly qualified staff while maintaining a budget free of structural deficit spending.

Staffing

- Recruit, hire and develop the best staff possible is a top priority, as great teachers are key to achieving a high quality of education in our District. Where children are adversely impacted, we will take steps to dismiss unsatisfactory performers.

Parents and Community

- High level of focus on parent and community engagement in all areas of programming and committees by fostering a culture throughout the District where community and family feel welcomed, respected and appreciated.

FINANCIAL HIGHLIGHTS

Districtwide Financial Statements

- As of June 30, 2019, the District's overall financial condition decreased from June 30, 2018, as Net Position decreased $5.4 million. The sum of general revenues, operating grants and contributions, and charges for services was less than total expenses, creating the decrease.
- Overall revenues increased $11.4 million, to $162.5 million. The largest category of revenue to the District is the Local Control Funding Formula (LCFF), which makes up $115.2 million (71%) of total revenues.
- Overall expenditures increased $5.3 million, to $168 million. The majority of expenditures ($120.0 million) were for instruction and instruction-related services.
- Since revenues increased less than expenditures, the change in net position showed a decrease of $5.4 million. This amount represents a decrease in the District's reserves.
- Total District-wide expenses were $168 million. Because a portion of these costs was paid for with charges, fees, and federal and state categorical programs, the net cost that required taxpayer funding was $135.3 million.

General Fund Financial Statements

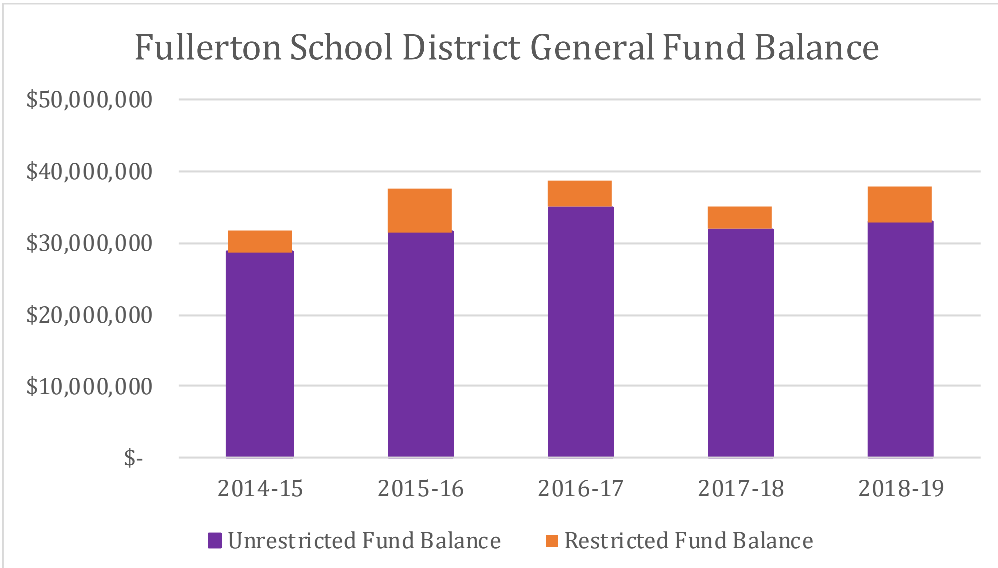
- The District's General Fund recorded a net increase to the ending Fund Balance for the year. Actual results were better than the revised operating budget for the year. This positive variance came about primarily because of underspending across all programs, as well as underspending of restricted categorical funds (which will be carried over into the next fiscal year).
- Revenues of $155.2 million ($121.7 million Unrestricted, $33.5 million Restricted) were received.
- Expenditures of $152.4 million ($101.1 million Unrestricted, $51.3 million Restricted) were made.
- The net result of operations was an increase to the ending fund balance of $2.8 million. ($1.0 million increase in Unrestricted, $1.8 million increase in Restricted)

A five-year history of the District's General Fund is as follows:

	Ending Fund Balance			Net Change In
	Unrestricted	Restricted	Total	Fund Balance
2014-15	$ 28,753,801	$ 2,973,908	$ 31,727,709	$ 1,387,334
2015-16	31,512,672	6,200,580	37,713,252	5,985,543
2016-17	35,063,235	3,576,145	38,639,380	926,129
2017-18	31,918,473	3,300,180	35,218,653	(3,420,727)
2018-19	32,867,741	5,127,310	37,995,051	2,776,398

FINANCIAL HIGHLIGHTS (continued)

General Fund Financial Statements (continued)



At June 30, 2019, the District's General Fund Balance was comprised of:

Reserved Amounts	$	4,789,751
Legally Restricted Balances		5,127,310
Assigned		5,254,869
Unassigned		22,823,121
Total	$	37,995,051

The amount Designated for Economic Uncertainties was $4,572,359, or 3% of total General Fund expenditures. The State mandated requirement is a 3% reserve.

The actual amounts reported above are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

FINANCIAL HIGHLIGHTS (continued)

LCFF and Average Daily Attendance (ADA)
The majority of the District's unrestricted revenues are received from the State through the LCFF. The State switched to the LCFF funding formula in the 2013-14 fiscal year.

The State's 2013-14 budget presented an extraordinary change in California school district funding. The Revenue limits and most categorical programs which have existed since the 1970's *Serrano vs. Priest* decision were eliminated. Instead, the State implemented the Local Control Funding Formula (LCFF). Under LCFF, instead of the State allocating funds and requiring the Districts to spend money on programs and service the State determines are a priority, the new funding formula gives local boards control over how to use funds and resources in a way that improves outcomes and opportunities for all students. The new funding model specifically addresses students with greater needs – such as English learners, low-income and foster youth – with input from the community and with specific student outcome in mind.

While the main drivers of the Revenue Limit were Average Daily Attendance (ADA) and State-funded Cost of Living Adjustment (COLA), LCFF adds two additional factors:

- Unduplicated Percentages - defined as those students enrolled in the Free and Reduced Lunch program, English Language Learners, and Foster Youth. Due to the widely differing unduplicated count percentages in different school districts, the amounts received in LCFF funding will vary widely by District will become even more disparate as time goes on.

- Percentage of Gap Funding during Transition: Full implementation of the LCFF was beyond the State's prior year financial means. Therefore, the State initially intended to fully implement LCFF over an eight-year period. Each year, as part of the budget process, the Legislature and Governor (with consideration of the COLA and Proposition 98 requirements) will determine the amount of the gap funding to implement in the current budget year. For 2018-19, LCFF is was fully funded.

The District calculates its LCFF apportionment based upon a formula incorporating these inputs. The District receives its share of local property taxes, and the State provides Apportionment Revenue to make up the total LCFF earned.

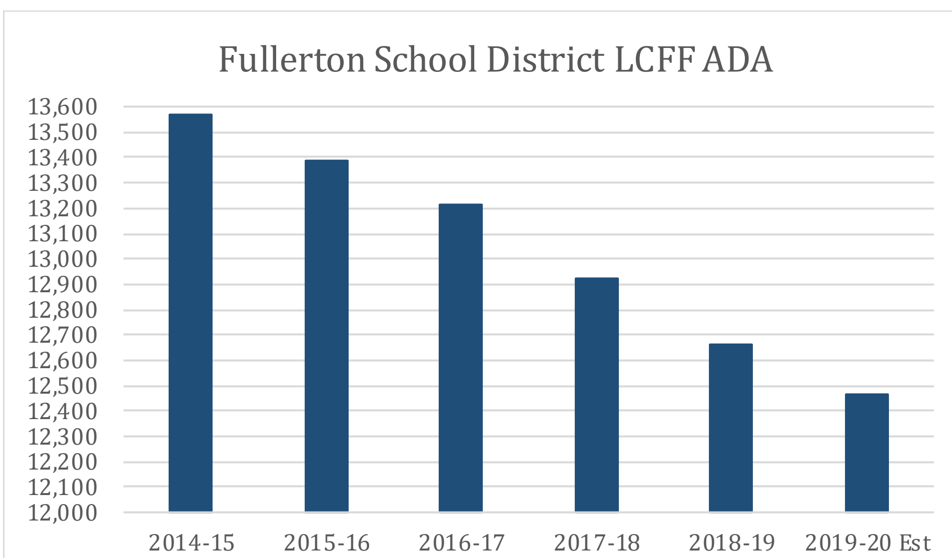
FINANCIAL HIGHLIGHTS (continued)

Average Daily Attendance (ADA)
Virtually all of the District's funding is based upon the number of students in attendance at District schools, or Average Daily Attendance (ADA). ADA is calculated based upon the actual number of days a student attends school, divided by the total possible instructional days (180 days for a full school year). Thus, a student who attends class every day of the school year, with no absences, earns one ADA.

The District's main source of funding, the Local Control Funding Formula (LCFF) is calculated based upon the District's Second Period ("P-2") ADA. If a district is in a declining enrollment situation (like Fullerton School District), LCFF is calculated based upon the higher, prior-year ADA. Therefore, even though enrollment decreased by approximately 291 students in fiscal year 2018-19, the District still earned LCFF based upon the higher 2017-18 ADA. The lower ADA for 2018-19 is reflected in the 2019-20 LCFF. This one-year lag is projected to continue for the foreseeable future as the District remains in declining enrollment.

P-2 apportionment-earning ADA used in the calculation of the Revenue Limit/LCFF for the past five years, and the estimated LCFF ADA for the current year, is as follows:

2014-15	13,565
2015-16	13,384
2016-17	13,218
2017-18	12,924
2018-19	12,665
2019-20 Est	12,465



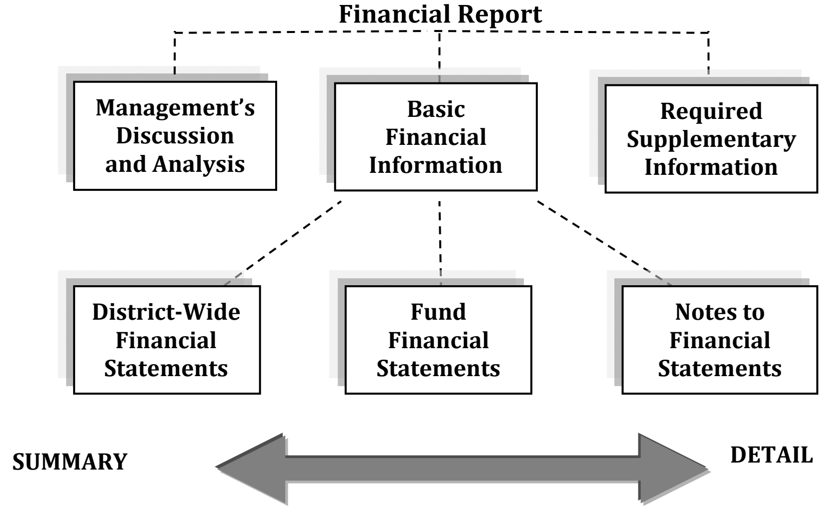
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Fullerton School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

Fund Financial Statements (continued)

- *Proprietary funds* – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provides more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims and property and liability losses.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 9.1% to $(65.0) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2019	**2018**	
Assets			
Current assets	$ 58,443,239	$ 58,800,453	$ (357,214)
Capital assets	83,897,785	85,323,110	(1,425,325)
Total assets	142,341,024	144,123,563	(1,782,539)
Deferred outflows of resources	42,963,270	44,314,467	(1,351,197)
Liabilities			
Current liabilities	5,444,683	7,759,733	(2,315,050)
Long-term liabilities	80,373,970	78,665,385	1,708,585
Net pension liability	151,841,524	149,449,341	2,392,183
Total liabilities	237,660,177	235,874,459	1,785,718
Deferred inflows of resources	12,682,009	12,157,218	524,791
Net position			
Net investment in capital assets	54,311,093	51,958,256	2,352,837
Restricted	15,693,145	14,785,140	908,005
Unrestricted	(136,871,161)	(126,337,043)	(10,534,118)
Total net position	$ (66,866,923)	$ (59,593,647)	$ (7,273,276)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 7.5% to $162.5 million (See Table A-2). The increase is due primarily to higher LCFF revenues.

The total cost of all programs and services increased 3.3% to $168.0 million. The District's expenses are predominantly related to educating and caring for students, 81.2%. The purely administrative activities of the District accounted for just 5.0% of total costs. A significant contributor to the increase in costs was from pupil and plant services.

Table A-2: Statement of Activities

	Governmental Activities 2019	Governmental Activities 2018	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 1,315,062	$ 1,277,505	$ 37,557
Operating grants and contributions	31,421,517	27,846,326	3,575,191
General Revenues:			
Property taxes	59,013,031	56,814,892	2,198,139
Federal and state aid not restricted	66,082,373	61,133,609	4,948,764
Other general revenues	4,710,388	4,082,846	627,542
Total Revenues	162,542,371	151,155,178	11,387,193
Expenses			
Instruction-related	120,123,090	121,206,850	(1,083,760)
Pupil services	16,353,528	14,061,537	2,291,991
Administration	8,472,929	7,274,362	1,198,567
Plant services	14,043,963	12,004,830	2,039,133
All other activities	8,993,106	8,121,166	871,940
Total Expenses	167,986,616	162,668,745	5,317,871
Increase (decrease) in net position	$ (5,444,245)	$ (11,513,567)	$ 6,069,322
Total net postion	$ (66,866,923)	$ (59,593,647)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Governmental Funds financial statements report the financial activities of the District net of the effect of long-term items such as capital assets, long-term debt, and other multi-year commitments. Rather, the Governmental Funds statements generally present only financial transactions related to current assets and liabilities. These statements focus on cash received and spent in one year, and what assets are available at year end that can be spent on expenses and liabilities that will be paid within one fiscal year.

At June 30, 2019, the District reported a combined fund balance of $48.6 million for all of its governmental funds, which represents an increase of $1.9 million from last year's ending fund balance of $46.8 million.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
Fund					
General Fund	$ 35,218,653	$ 155,188,362	$ 152,411,964	$ -	$ 37,995,051
Child Development Fund	785,437	4,623,354	4,414,747	-	994,044
Cafeteria Special Revenue Fund	2,153,826	6,157,514	6,374,618	-	1,936,722
Deferred Maintenance Fund	55,542	1,209	30	-	56,721
Building Fund	8,409	322	-	-	8,731
Capital Facilities Fund	2,329,626	891,144	1,921,165	-	1,299,605
Special Reserve Fund (Capital Outlay)	2,751,989	903,429	1,123,177	-	2,532,241
Bond Interest and Redemption Fund	3,464,082	4,047,500	3,717,232	8,873	3,803,223
Total Governmental Fund Balances	$ 46,767,564	$ 171,812,834	$ 169,962,933	$ 8,873	$ 48,626,338
Proprietary Fund:					
Self-Insurance Fund	$ 1,722,944	$ 2,188,369	$ 2,082,282	$ -	$ 1,829,031

General Fund Budgetary Highlights

The District's primary operating fund, and the fund where the majority of its financial transactions take place, is the General Fund.

The overall financial health of the District is generally determined by the state of its General Fund. This fund reflects the effects on the District's finances caused by increased funding or cuts imposed by the State on public education funding. It is also the fund where the District Board and administration have the most flexibility to adjust expenditures to match changes in State and Federal funding.

The 2018-19 adopted budget was officially approved by the Board of Trustees on June 19, 2018. Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $13.4 million primarily to reflect increases in federal, state, and local revenue estimates. Other Federal and State revenue adjustments reflect differences between estimated and actual carryovers for June 30, 2018 (more revenue was carried over than expected so budgets increased for 2018-19). Increases in other local revenues reflect donations received during the year. The District does not budget revenues and expenditures related to donations until the actual donation is received.

- Expenditures – budget increased $15.6 million, primarily to reflect employee compensation increases negotiated in the winter of 2018, as well as the adjustment to the budget to reflect the expenditure of carryover amounts.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $5.1 million, the actual results for the year show that revenues exceeded expenditures by roughly $2.8 million. Actual revenues were $2.3 million more than anticipated, and expenditures were $5.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19, the District had invested $5.0 million in new capital assets, related to site improvements. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded $2.9 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase
	2019	2018	(Decrease)
Land	$ 9,198,655	$ 9,198,655	$ -
Improvement of sites	4,214,018	4,108,185	105,833
Buildings	65,826,707	69,666,359	(3,839,652)
Equipment	2,947,916	2,185,988	761,928
Construction in progress	1,710,489	163,923	1,546,566
Total	$ 83,897,785	$ 85,323,110	$ (1,425,325)

Long-Term Debt

At year-end the District had $80.4 million in general obligation bonds, certificates of participation, RDA loans, capital leases, early retirement, and employment benefits – an increase of 2.2% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2019	2018	(Decrease)
General obligation bonds	$ 31,642,315	$ 34,409,303	$ (2,766,988)
Certificates of participation	4,445,000	4,810,000	(365,000)
RDA loans	188,761	220,221	(31,460)
Capital leases	39,943	54,029	(14,086)
Early retirement incentives	1,419,534	1,774,418	(354,884)
Compensated absences	2,237,770	1,582,627	655,143
Claims	2,810,053	2,507,001	303,052
Other postemployment benefits	37,590,594	33,307,786	4,282,808
Total	$ 80,373,970	$ 78,665,385	$ 1,708,585

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes $5.9 Billion in Additional Unfunded Liability Payments
Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates $5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses $2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes $1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes $1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and $660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations
Under the spending plan, Proposition 98 funding for 2019-20 increases $2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) $493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) $153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years
The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides $606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides $244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Fullerton School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robert R. Coghlan, Ph.D., Assistant Superintendent, Business Services at (714) 447-7412.

FULLERTON SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Total Governmental Activities
ASSETS	
Cash	$ 50,309,347
Accounts receivable	7,873,818
Inventories	119,840
Prepaid expenses	140,234
Non-depreciable assets	10,909,144
Depreciable assets	179,106,061
Less accumulated depreciation	(106,117,420)
Total assets	142,341,024
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	817,627
Deferred outflows from OPEB	3,037,269
Deferred outflows from pensions	39,108,374
Total deferred outflows of resources	42,963,270
LIABILITIES	
Accounts payable	5,011,698
Unearned revenue	432,985
Long-term liabilities other than pensions:	
Portion due or payable within one year	4,483,762
Portion due or payable after one year	75,890,208
Net pension liability	151,841,524
Total liabilities	237,660,177
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	10,915,978
Deferred inflows from OPEB	1,766,031
Total deferred inflows of resources	12,682,009
NET POSITION	
Net investment in capital assets	54,311,093
Restricted for:	
Capital projects	3,831,846
Debt service	3,803,223
Educational programs	8,058,076
Self-insurance	1,829,031
Unrestricted	(136,871,161)
Total net position	$ (65,037,892)

FULLERTON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instructional Services:				
Instruction	$ 98,368,435	$ 554	$ 19,113,357	$ (79,254,524)
Instruction-Related Services:				
Supervision of instruction	4,391,875	6	1,577,615	(2,814,254)
Instructional library, media and technology	6,065,693	4	170,036	(5,895,653)
School site administration	11,297,087	32	721,192	(10,575,863)
Pupil Support Services:				
Home-to-school transportation	2,748,850	-	-	(2,748,850)
Food services	6,302,484	1,247,467	4,108,686	(946,331)
All other pupil services	7,302,194	43	2,617,342	(4,684,809)
General Administration Services:				
Other general administration	8,472,929	54,108	880,846	(7,537,975)
Plant services	14,043,963	11,692	365,266	(13,667,005)
Interest on long-term debt	1,335,859	-	-	(1,335,859)
Transfers between agencies	1,201,861	1,156	1,867,177	666,472
Depreciation (unallocated)	6,455,386	-	-	(6,455,386)
Total Governmental Activities	$ 167,986,616	$ 1,315,062	$ 31,421,517	$ (135,250,037)

General Revenues:	
Property taxes	59,013,031
Federal and state aid not restricted to specific purpose	66,082,373
Interest and investment earnings	730,978
Miscellaneous	3,979,410
Total general revenues	129,805,792
Change in net position	(5,444,245)
Net position - July 1, 2018	(59,593,647)
Net position - June 30, 2019	$ (65,037,892)

FULLERTON SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Cafeteria Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 34,935,777	$ 1,738,292	$ 9,007,515	$ 45,681,584
Accounts receivable	6,514,899	971,267	379,098	7,865,264
Due from other funds	785,350	-	65,449	850,799
Inventories	27,556	92,284	-	119,840
Prepaid expenditures	139,836	398	-	140,234
Total Assets	$ 42,403,418	$ 2,802,241	$ 9,452,062	$ 54,657,721
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 4,176,388	$ 41,502	$ 477,151	$ 4,695,041
Due to other funds	125,242	643,032	135,083	903,357
Unearned revenue	50,016	180,985	201,984	432,985
Total Liabilities	4,351,646	865,519	814,218	6,031,383
Fund Balances				
Nonspendable	217,392	92,911	-	310,303
Restricted	5,127,310	1,843,811	8,637,844	15,608,965
Assigned	5,311,590	-	-	5,311,590
Unassigned	27,395,480	-	-	27,395,480
Total Fund Balances	38,051,772	1,936,722	8,637,844	48,626,338
Total Liabilities and Fund Balances	$ 42,403,418	$ 2,802,241	$ 9,452,062	$ 54,657,721

Total fund balances - governmental funds			$ 48,626,338
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost:	190,015,205	
	Accumulated depreciation:	(106,117,420)	
	Net:		83,897,785
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			817,627
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(266,866)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:			
	General obligation bonds payable	31,642,315	
	Certificates of participation payable	4,445,000	
	Fullerton RDA loan payable	188,761	
	Capital leases payable	39,943	
	Early retirement incentive	1,419,534	
	Compensated absences	2,237,770	
	Other postemployment benefits payable	37,590,594	
	Total		(77,563,917)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(151,841,524)
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.			
	Deferred outflows of resources relating to OPEB	3,037,269	
	Deferred inflows of resources relating to OPEB	(1,766,031)	
	Net:		1,271,238
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 relating to pensions	39,108,374	
	Deferred inflows of resources relating to pensions	(10,915,978)	
	Net:		28,192,396
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is:			1,829,031
Total net position - governmental activities			$ (65,037,892)

FULLERTON SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Cafeteria Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 115,164,777	$ -	$ -	$ 115,164,777
Federal sources	7,416,511	4,453,944	-	11,870,455
Other state sources	20,609,289	351,660	2,363,585	23,324,534
Other local sources	11,998,994	1,351,910	8,102,164	21,453,068
Total Revenues	155,189,571	6,157,514	10,465,749	171,812,834
EXPENDITURES				
Current:				
Instruction	98,868,539	-	3,470,351	102,338,890
Instruction-related services:				
Supervision of instruction	4,357,820	-	58,895	4,416,715
Instructional library, media and technology	5,599,781	-	-	5,599,781
School site administration	10,609,251	-	545,020	11,154,271
Pupil support services:				
Home-to-school transportation	2,702,180	-	-	2,702,180
Food services	-	6,080,120	-	6,080,120
All other pupil services	6,957,818	-	160,361	7,118,179
Ancillary Services	29,425	-	-	29,425
General administration services:				
Other general administration	7,795,776	-	-	7,795,776
Plant services	11,366,793	52,329	9,540	11,428,662
Transfers of indirect costs	(421,550)	242,169	179,381	-
Capital outlay	2,820,069	-	3,004,081	5,824,150
Intergovernmental	1,201,861	-	-	1,201,861
Debt service:				
Principal	379,086	-	3,026,460	3,405,546
Interest	145,145	-	722,232	867,377
Total Expenditures	152,411,994	6,374,618	11,176,321	169,962,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,777,577	(217,104)	(710,572)	1,849,901
OTHER FINANCING SOURCES (USES)				
All other sources	-	-	8,873	8,873
Total Other Financing Sources and Uses	-	-	8,873	8,873
Net Change in Fund Balances	2,777,577	(217,104)	(701,699)	1,858,774
Fund Balances, July 1, 2018	35,274,195	2,153,826	9,339,543	46,767,564
Fund Balances, June 30, 2019	$ 38,051,772	$ 1,936,722	$ 8,637,844	$ 48,626,338

FULLERTON 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, 2019

Total net change in fund balances - governmental funds		$ 1,858,774
Amounts reported for governmental activities in the statement of activities are different because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	5,030,061	
Depreciation expense	(6,455,386)	
Net expense adjustment:		(1,425,325)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		3,405,546
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on refunding and are amortized to interest expense over the life of the liability. Deferred amounts incurred, less amortization of this amount during the year was:		(287,883)
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		372,294
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period:		(600,306)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		44,495
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 contributions was:		(6,349,145)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was:		(1,965,471)
In the statement of activities, certain operating expenses - compensated absences, early retirement incentives and claims payable for example are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts paid exceeded amounts earned by:		(603,311)
The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.		106,087
Change in net position - governmental activities		$ (5,444,245)

		Governmental Activities
		Internal Service Fund
ASSETS		
Current:		
Cash	$	4,627,763
Accounts receivable		8,554
Due from other funds		59,793
Total assets		4,696,110
LIABILITIES		
Accounts payable and accrued liabilities		49,791
Due to other funds		7,235
Estimated liability for open claims and IBNR		2,810,053
Total liabilities		2,867,079
NET POSITION		
Restricted	$	1,829,031

FULLERTON SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

For the Fiscal Year Ended June 30, 2019

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 2,087,657
Other state revenue	10,647
Total operating revenues	2,098,304
OPERATING EXPENSES	
Current:	
Classified salaries	168,195
Employee benefits	94,282
Books and supplies	83,269
Services and other operating expenditures	1,736,538
Total operating expenses	2,082,284
Operating Income (Loss)	16,020
NON-OPERATING REVENUES	
Interest income	90,067
Change in net position	106,087
Net position, July 1, 2018	1,722,944
Net position, June 30, 2019	$ 1,829,031

FULLERTON SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	$ 2,059,019
Payments to employees and fringe benefits	(258,382)
Payments to vendors and suppliers	(86,166)
Payments on insurance claims	(1,433,486)
Other receipts (payments)	11,257
Net cash provided (used) by operating activities	292,242
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	93,349
Net increase (decrease) in cash	385,591
Cash, July 1, 2018	4,242,172
Cash, June 30, 2019	$ 4,627,763
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 16,020
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	(28,638)
Estimated liability for open claims and IBNRs	303,052
Accounts payable and accrued liabilities	1,198
Due to other funds	610
Net cash (used) by operating activities	$ 292,242

FULLERTON SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds		
	Associated Student Body Funds	Debt Service Fund for Special Tax Bonds	Total
ASSETS			
Cash	$ 177,049	$ 19,553	$ 196,602
Investments	-	2,536,103	2,536,103
Accounts receivable	-	48	48
Total Assets	$ 177,049	$ 2,555,704	$ 2,732,753
LIABILITIES			
Accounts payable	$ -	$ 103,739	$ 103,739
Unearned revenue	-	1,975,253	1,975,253
Due to student groups	177,049	-	177,049
Due to bondholders	-	476,712	476,712
Total Liabilities	$ 177,049	$ 2,555,704	$ 2,732,753

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fullerton School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Fullerton School District Capital Facilities Corporation (the Corporation) financial activity are presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Fullerton School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintained a Deferred Maintenance Fund. The Deferred Maintenance Fund does not meet the definition of special revenue funds as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of special revenue funds under GASB 54, the activity in that fund is being reported within the General Fund.

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

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

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Debt Service Fund for Special Tax Bonds: This fund is used to account for the accumulation of resources for, and the repayment, of Community Facility District bonds, interest and related costs.

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual bases of accounting for reporting its assets and liabilities.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

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

8. Pensions
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

9. Fund Balances
The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar
The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements
During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

   This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

   The District has implemented the provisions of this Statement as of June 30, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

   This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

   This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

   For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

   The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements
Other GASB pronouncements, which will be effective in future periods, are as follows:

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

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

   This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)
Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, are reported at fair value and consisted of the following:

		Governmental Activities			
		Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:					
Cash in county treasury		$ 43,749,692	$ 4,502,763	$ 48,252,455	$ 19,553
Cash with fiscal agent		143,600	-	143,600	-
Total Pooled Funds		43,893,292	4,502,763	48,396,055	19,553
Deposits:					
Cash on hand and in banks		1,738,063	-	1,738,063	177,049
Cash in revolving fund		50,229	125,000	175,229	-
Total Deposits		1,788,292	125,000	1,913,292	177,049
Total Cash		$ 45,681,584	$ 4,627,763	$ 50,309,347	$ 196,602
	Rating:				
Investments:					
US Bank - Money Market	N/A				$ 2,536,103

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 2 – CASH AND INVESTMENTS (continued)

Pooled Funds (continued)
Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
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 does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, $2,043,030 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments – Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

Maturities of investments held at June 30, 2019, consist of the following:

		Maturity		
	Fair Value	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:				
U.S. Bank - Money Market	$ 2,536,103	$ 2,536,103	$ -	Level 2

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments – Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2019, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had the following investment that represents more than five percent of the District's net investments.

U.S. Bank - Money Market	100%

Fair Value Measurements
The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Cafeteria Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:					
Categorical aid programs	$ 3,528,090	$ 938,067	$ -	$ 4,466,157	$ -
State Government:					
Lottery	648,647	-	-	648,647	-
Child Nutrition	-	29,345	-	29,345	-
Categorical aid programs	960,541	-	253,621	1,214,162	-
Local:					
Special education	853,200	-	-	853,200	-
Interest	144,248	3,855	23,029	171,132	8,554
Other local	380,173	-	102,448	482,621	-
Total	$ 6,514,899	$ 971,267	$ 379,098	$ 7,865,264	$ 8,554

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

	Due from Other Funds			
	General Fund	Non-Major Governmental Funds	Proprietary Fund	Total
General Fund	$ -	$ 65,449	$ 59,793	$ 125,242
Non-Major Funds	778,115	-	-	778,115
Proprietary Fund	7,235	-	-	7,235
Total	$ 785,350	$ 65,449	$ 59,793	$ 910,592

General Fund due to Child Development Fund for revenues, indirect costs, and expenditure reimbursement	$ 65,449
General Fund due to Self-Insurance Fund for workers' compensation expense	59,793
Child Development Fund due to General Fund for payroll, program and indirect costs	132,029
Cafeteria Special Revenue Fund due to General Fund for payroll and program costs	643,032
Self-Insurance Fund due to General Fund for payroll expense	7,235
Capital Facilities Fund due to General Fund for payroll expense and program costs	3,054
Total	$ 910,592

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Special Revenue Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 50,000	$ 229	$ -	$ 50,229
Stores inventories	27,556	92,284	-	119,840
Prepaid expenditures	139,836	398	-	140,234
Total Nonspendable	217,392	92,911	-	310,303
Restricted:				
Categorical programs	5,127,310	-	-	5,127,310
Child development program	-	-	994,044	994,044
Child nutrition program	-	1,843,811	-	1,843,811
Capital projects	-	-	3,840,577	3,840,577
Debt service	-	-	3,803,223	3,803,223
Total Restricted	5,127,310	1,843,811	8,637,844	15,608,965
Assigned:				
LCFF supplemental	660,202	-	-	660,202
LCFF base	444,030	-	-	444,030
Educational services	150,637	-	-	150,637
Textbook adoptions	3,400,000	-	-	3,400,000
Deferred maintenance	600,000	-	-	600,000
Deferred maintenance program	56,721	-	-	56,721
Total Assigned	5,311,590	-	-	5,311,590
Unassigned:				
Reserve for economic uncertainties	4,572,359	-	-	4,572,359
Remaining unassigned balances	22,823,121	-	-	22,823,121
Total Unassigned	27,395,480	-	-	27,395,480
Total	$ 38,051,772	$ 1,936,722	$ 8,637,844	$ 48,626,338

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	$ 9,198,655	$ -	$ -	$ 9,198,655
Construction in progress	163,923	1,710,489	163,923	1,710,489
Total capital assets not being depreciated	9,362,578	1,710,489	163,923	10,909,144
Capital assets being depreciated:				
Improvement of sites	22,124,585	183,899	-	22,308,484
Buildings and improvements	140,100,978	1,906,082	-	142,007,060
Machinery and equipment	13,537,897	1,393,514	140,894	14,790,517
Total capital assets being depreciated	175,763,460	3,483,495	140,894	179,106,061
Accumulated depreciation for:				
Improvement of sites	(18,016,400)	(78,066)	-	(18,094,466)
Buildings and improvements	(70,434,619)	(5,745,734)	-	(76,180,353)
Machinery and equipment	(11,351,909)	(631,586)	(140,894)	(11,842,601)
Total accumulated depreciation	(99,802,928)	(6,455,386)	(140,894)	(106,117,420)
Total capital assets being depreciated, net	75,960,532	(2,971,891)	-	72,988,641
Governmental activity capital assets, net	$ 85,323,110	$ (1,261,402)	$ 163,923	$ 83,897,785

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	$ 27,120,458	$ -	$ 2,995,000	$ 24,125,458	$ 3,330,000
Accreted interest	6,120,290	600,306	-	6,720,596	-
Unamortized issuance premium	1,168,555	-	372,294	796,261	372,293
Total General Obligation Bonds	34,409,303	600,306	3,367,294	31,642,315	3,702,293
Certificates of Participation	4,810,000	-	365,000	4,445,000	380,000
Fullerton RDA Loan	220,221	-	31,460	188,761	31,460
Early Retirement Incentive	1,774,418	-	354,884	1,419,534	354,884
Capital Leases	54,029	-	14,086	39,943	15,125
Compensated Absences	1,582,627	655,143	-	2,237,770	-
Claims payable	2,507,001	303,052	-	2,810,053	-
Other Postemployment Benefits	33,307,786	6,910,648	2,627,840	37,590,594	-
Totals	$ 78,665,385	$ 8,469,149	$ 6,760,564	$ 80,373,970	$ 4,483,762

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of Participation payments are made by the General Fund. Capital leases payments are made by the General Fund. RDA loan payments are made from the Capital Facilities Fund. Accumulated vacation, early retirement incentive, pensions, and other postemployment benefits will be paid for by the fund for which the employee worked.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds

On March 5, 2002, a special election was held at which more than 55 percent of the voters in the District approved Measure "CC", which authorized the issuance and sale of $49.7 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. The bonds were issued to finance the construction of new facilities, such as multipurpose rooms, and renovation and improvement at existing schools and to fund a portion of the cost of construction of a new elementary school.

2010 General Obligation Refunding Bonds

On December 1, 2010, the District issued $27,645,000 of 2010 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 2.0% to 5.0% with annual maturities from August 2011 through August 2026. The net proceeds of $30,215,831 (after issuance costs of $389,721, plus premium of $2,960,552) were used to advance refund $27,645,000 of the District's outstanding Election of 2002, Series A General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on the refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on the refunding of $205,292 remain to be amortized. As of June 30, 2019, all principal balance on the defeased debt was paid.

2014 Refunding General Obligation Bonds

On September 18, 2014, the District issued $6,080,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates between 3.0% and 5.0% with annual maturities from August 1, 2015 through August 1, 2026. The net proceeds of $6,685,239 (after premiums of $782,710 and issuance costs of $177,471) were used to prepay the District's outstanding General Obligation Bonds. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of $105,728 remain to be amortized. As of June 30, 2019, all principal balance on the defeased debt was paid.

2018 General Obligation Refunding Bonds

On February 14, 2018, the District issued $12,365,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 1.89% and 3.16% with annual maturities from August 1, 2018 through August 1, 2026. The net proceeds of $12,134,613 (after issuance costs of $230,387) were used to prepay a portion of the District's outstanding General Obligation Refunding Bonds of 2010, in addition to paying the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred amounts of refunding of $416,108 remain to be amortized.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. As of June 30, 2019, the principal balance outstanding on the defeased debt amounted to $11,315,000.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Advance Refundings	Balance June 30, 2019
2002 A	7/3/2002	8/1/2023	3.25%-5.375%	$ 40,000,458	$ 4,545,458	$ -	$ -		$ 4,545,458
2010 Ref.	12/1/2010	8/1/2026	2.0%-5.0%	27,645,000	5,075,000	-	2,425,000	-	2,650,000
2014 Ref.	9/18/2014	8/1/2026	3.0%-5.0%	6,080,000	5,135,000	-	460,000		4,675,000
2018 Ref	2/14/2018	8/1/2026	1.89%-3.16%	12,365,000	12,365,000	-	110,000	-	12,255,000
				$ 86,090,458	$ 27,120,458	$ -	$ 2,995,000	$ -	$ 24,125,458

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2019, were as follows:

Fiscal Year	Principal	Interest	Total
2019-20	$ 3,330,000	$ 599,698	$ 3,929,698
2020-21	1,892,188	3,138,580	5,030,768
2021-22	1,899,698	3,269,556	5,169,254
2022-23	1,907,802	3,406,113	5,313,915
2023-24	1,905,770	2,243,285	4,149,055
2024-27	13,190,000	629,827	13,819,827
Total	$ 24,125,458	$ 13,287,059	$ 37,412,517

B. Certificates of Participation

2011 Refunding Certificates of Participation
On November 10, 2011, the District issued $6,935,000 of Refunding Certificates of Participation. The Certificates bear fixed interest rates averaging 3.4% with annual maturities from June 1, 2012 through June 1, 2029. The net proceeds of $6,832,899 (after issuance costs of $102,101) were used to prepay the District's outstanding Certificates of Participation.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of $90,499 remain to be amortized.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

As of June 30, 2019, the annual requirements to amortize all certificates were as follows:

Fiscal Year	Principal	Interest	Total
2019-20	$ 380,000	$ 130,575	$ 510,575
2020-21	395,000	118,950	513,950
2021-22	405,000	107,100	512,100
2022-23	420,000	94,800	514,800
2023-24	435,000	82,125	517,125
2024-29	2,410,000	203,775	2,613,775
Total	$ 4,445,000	$ 737,325	$ 5,182,325

C. Fullerton Redevelopment Agency Loan

An agreement was entered into May 16, 2000 for the Fullerton Redevelopment Agency to loan $1,320,000 to the District for the expansion of Maple Elementary School. The District received the proceeds from the loan July, 2000. The loan does not accrue interest. Payments are due each July beginning in 2001 for 25 years.

The payment amount is based on the outstanding loan balance at each June 30. Repayment requirements on the June 30, 2019 balance are as follows:

Fiscal Year	Principal
2019-20	$ 31,460
2020-21	31,460
2021-22	31,461
2022-23	31,460
2023-24	31,460
2024-25	31,460
Total	$ 188,761

D. Capital Leases

The District leases equipment valued at $654,250 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year	Principal	Interest
2019-20	$ 15,125	$ 2,507
2020-21	16,246	1,385
2021-22	8,572	244
Total	$ 39,943	$ 4,136

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

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

E. Early Retirement

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2019, for these obligations are shown below:

Fiscal Year	Payment
2019-20	$ 354,884
2020-21	354,884
2021-22	354,883
2022-23	354,883
	$ 1,419,534

F. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-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.

On August 8, 2013, the Fullerton School District Financing Authority issued $16,475,000 in special tax revenue refunding bonds. The bonds were issued to refund two outstanding bonds previously issued by the Community Facilities Districts formed by Fullerton School District. The bonds carry stated interest rates ranging between 2.00% - 5.25% and fully mature in September 2031. Special assessment debt of $13,735,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

G. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 36,879,628	$ 3,037,269	$ 1,766,031	$ 3,636,887
MPP Program	710,966	-	-	(79,548)
Total	$ 37,590,594	$ 3,037,269	$ 1,766,031	$ 3,557,339

The details of each plan are as follows:

District Plan

Plan Description

Fullerton School District has a single-employer plan that provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. The District provides post-employment healthcare benefits to eligible retirees and their covered eligible dependents and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated, Classified and Management employees may retire with District-paid health benefits after completing at least 10 years of District service and attainment of age 55. Certificated employees must have 10 years of full-time service with the District to be eligible. Classified employees may become eligible based on part-time service, with their District contributions pro-rated for full-time equivalency less than 100%. Management employees may have up to five years of management work in another district credited towards the 10-year requirement. The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated Employees

Certificated retirees receive a District contribution equal to the single-party medical premium and dental PPO premium. Spouses may be covered at the retiree's expense; however, if the retiree elects one of the HMO options, the District will contribute towards spousal coverage in an amount equal to the excess of the PPO premium over the single premium for the selected HMO.

Classified Employees

Classified retirees receive a District contribution equal to the single-party medical and dental premiums and the two-party vision premium. Spouses may be covered, and the District will contribute an amount equal on behalf of the spouse equal to the excess of the average of the HMO two-party premiums over the single premium for the coverage selected. District contributions are pro-rated for part-time service.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

G. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Benefits Provided (continued)

Management Employees
Management retirees receive a District contribution equal to the single-party medical, dental and vision premiums. Spouses may be covered, and the District will contribute an amount on behalf of the spouse equal to the excess of the highest two-party HMO premium over the single premium for the coverage selected.

The District's contribution ends at age 65 in all cases, except that one retired Superintendent is receiving lifetime supplemental coverage and five Management retirees over age 65 are currently receiving a District contribution equal to the excess of the vision rate over the single COBRA rate. There are also two spouses over age 65 receiving a coverage until each member's age 65. Retired Superintendents and Assistant Superintendents have slightly different provisions apply but in all cases except those mentioned above, benefits end at age 65.

Employees Covered by Benefit Terms
At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	86
Active employees	1,061
Total	1,147

Total OPEB Liability
The District's total OPEB liability of $36,879,628 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Inflation	2.75 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-	Retirees who continue with the District medical plan are offered

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

G. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Discount Rate
The discount rate of 3.5% is based on the Bond Buyer 20 Bond Index.

Mortality Rates
Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at July 1, 2018	$	32,517,273
Changes for the year:		
Service cost		2,437,691
Interest		1,198,400
Changes of assumptions		3,274,556
Experience Gains/Losses		(1,286,016)
Benefit payments		(1,262,276)
Net changes		4,362,355
Balance at June 30, 2019	$	36,879,628

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate		OPEB Liability
1% decrease (2.50%)	$	35,308,566
Current discount rate (3.50%)	$	36,879,628
1% increase (4.50%)	$	37,985,176

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

G. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		OPEB Liability
1% decrease (3.00%)	$	39,241,831
Current rate (4.00%)	$	36,879,628
1% increase (5.00%)	$	34,637,775

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the District recognized OPEB expense of $3,636,887. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	1,192,826
Changes of assumptions		3,037,269		573,205
Total	$	3,037,269	$	1,766,031

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 6.79 years.

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

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

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

H. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2019, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability
At June 30, 2019, the District reported an MPP liability of $710,966 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net OPEB Liability	0.185743%	0.187901%	-0.002158%

For the year ended June 30, 2019, the District reported MPP OPEB expense of $(79,548).

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

G. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

G. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Discount Rate
The discount rate used to measure the total OPEB liability was 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability. The Discount rate increased 0.29 percent as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	MPP OPEB Liability
1% decrease (2.87%)	$ 786,362
Current discount rate (3.87%)	$ 710,966
1% increase (4.87%)	$ 642,885

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 648,328
Current rate (3.7% Part A and 4.1% Part B)	$ 710,966
1% increase (4.7% Part A and 5.1% Part B)	$ 778,329

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 108,556,721	$ 27,523,867	$ 10,391,185	$ 14,062,077
CalPERS	43,284,803	11,584,507	524,793	8,747,721
Total	$ 151,841,524	$ 39,108,374	$ 10,915,978	$ 22,809,797

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

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

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% 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.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.25%
Required State Contribution Rate	9.828%	9.828%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were $10,322,658.

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

District's proportionate share of net pension liability	$	108,556,721
State's proportionate share of the net pension liability associated with the District		62,153,800
Total	$	170,710,520

NOTE 8 – PENSION PLANS (continued)

A. 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)
The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.118116%	0.118058%	0.000057%

For the year ended June 30, 2019, the District recognized pension expense of $14,062,077. In addition, the District recognized pension expense and revenue of $2,119,432 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,322,658	$ -
Net change in proportionate share of net pension liability	-	4,634,219
Difference between projected and actual earnings on pension plan investments	-	4,180,119
Changes of assumptions	16,864,579	-
Differences between expected and actual experience	336,630	1,576,846
Total	$ 27,523,867	$ 10,391,185

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 8 – PENSION PLANS (continued)

A. 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)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,770,621
2021	1,203,224
2022	(1,649,274)
2023	1,164,245
2024	3,535,561
Thereafter	(214,353)
Total	$ 6,810,024

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. 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 (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 159,022,892
Current discount rate (7.10%)	108,556,721
1% increase (8.10%)	66,715,367

On-Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of $2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $9,909,112.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

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

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

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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 are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $4,070,085.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $43,284,803. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.162339%	0.168682%	-0.006343%

For the year ended June 30, 2019, the District recognized pension expense of $8,747,721. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,070,085	$ -
Net change in proportionate share of net pension liability	-	524,793
Difference between projected and actual earnings on pension plan investments	355,033	-
Changes of assumptions	4,321,797	-
Differences between expected and actual experience	2,837,593	-
Total	$ 11,584,507	$ 524,793

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 4,597,360
2021	3,248,074
2022	(299,252)
2023	(556,553)
2024	-
Thereafter	-
Total	$ 6,989,629

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

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 63,020,604
Current discount rate (7.15%)	43,284,803
1% increase (8.15%)	26,911,132

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

On-Behalf Payments
The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of $904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $1,467,548.

C. Social Security
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2019, the District reported payables of $29,294 and $33,758 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 9 – JOINT POWERS AGREEMENTS

The Fullerton School District participates in two joint ventures under a joint powers agreement (JPA), the Schools Excess Liability Fund (SELF) and Alliance of Schools for Cooperative Insurance Programs (ASCIP). The relationship between the Fullerton School District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes as explained below:

SELF arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. ASCIP arranges for and provides property and liability insurance for its member school districts. The JPAs are governed by boards consisting of representatives from certain member districts. The Boards control the operation of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation of the Board. Each member pays an annual contribution based upon that calculated by the JPAs' Boards and shares surpluses and deficits proportionately to its participation in the JPAs.

The Fullerton School District also participates in a JPA that meets the definition of a component unit, as described below:

The Fullerton School District Financing Authority is a joint exercise of powers agency comprised of the Fullerton School District and Community Facilities District No. 2000-1. Its purpose is to provide financing and refinancing for public capital improvements.

NOTE 9 – JOINT POWERS AGREEMENTS (continued)

Condensed financial information is as follows:

	SELF June 30, 2018	ASCIP June 30, 2018	FSD Finance Authority June 30, 2019
Total Assets	$ 118,692,006	$ 454,668,010	$ 1,737,420
Deferred outflows-pensions	497,939	1,762,160	-
Total Liabilities	101,064,545	251,584,695	-
Deferred inflows-pensions	28,087	442,840	-
Net Position	$ 18,097,313	$ 204,402,635	$ 1,737,420
Total Revenues	$ 15,073,823	$ 259,307,983	$ 1,708,908
Total Expenses	19,471,187	251,547,168	1,699,985
Total Non-Operating Revenues (Expense)	65,650	2,679,762	-
Change in Net Position	$ (4,331,714)	$ 10,440,577	$ 8,923

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes 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.

B. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of approximately $1.7 million to be paid from a combination of State and local funds.

C. Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded beyond claims payable and incurred but not reported reserves established in the Self-Insurance Internal Service Fund.

NOTE 11 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District was self-insured for property and liability losses with specific deductibles, but participated in the ASCIP public entity risk pool for excess property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers' Compensation
For fiscal year 2019, the District was self-funded for workers compensation, with coverage purchased from a private insurer for claims in excess of the $1.0 million retention amount.

Employee Medical Benefits
The District has contracted through Self-Insured Schools of California (SISC), Anthem Blue Cross and Kaiser Permanente to provide employee medical and surgical benefits, Delta Dental and Deltacare USA for dental benefits and Vision Service Plan (VSP).

Claims Liability
The District records an estimated liability for workers' compensation claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities
The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	$ 2,389,956
Claims and changes in estimates	1,540,633
Claims payments	(1,423,588)
Liability Balance, June 30, 2018	2,507,001
Claims and changes in estimates	1,555,221
Claims payments	(1,252,169)
Liability Balance, June 30, 2019	$ 2,810,053
Assets available to pay claims at June 30, 2019	$ 4,696,110

Required Supplementary Information

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FULLERTON SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Local Control Funding Formula Sources	$ 114,663,974	$ 114,450,170	$ 115,164,777	$ 714,607
Federal Sources	6,098,609	7,735,430	7,416,511	(318,919)
Other State Sources	10,150,780	20,229,579	20,609,289	379,710
Other Local Sources	8,612,514	10,478,141	11,997,785	1,519,644
Total Revenues	139,525,877	152,893,320	155,188,362	2,295,042
Expenditures				
Current:				
Certificated Salaries	64,565,545	64,405,435	63,990,196	415,239
Classified Salaries	22,814,912	23,059,066	23,046,440	12,626
Employee Benefits	33,864,213	45,069,998	43,974,099	1,095,899
Books and Supplies	7,889,045	11,675,504	7,768,904	3,906,600
Services and Other Operating Expenditures	10,673,592	10,034,600	10,074,480	(39,880)
Transfers of Indirect Cost	(447,958)	(468,802)	(421,550)	(47,252)
Capital Outlay	1,202,343	2,394,488	2,253,304	141,184
Intergovernmental	1,340,000	1,340,000	1,201,860	138,140
Debt Service	524,231	524,231	524,231	-
Total Expenditures	142,425,923	158,034,520	152,411,964	5,622,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,900,046)	(5,141,200)	2,776,398	7,917,598
Fund Balance, July 1, 2018	32,228,372	35,218,653	35,218,653	-
Fund Balance, June 30, 2019	$ 29,328,326	$ 30,077,453	$ 37,995,051	$ 7,917,598
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Deferred Maintenance Fund			56,721	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 38,051,772	

FULLERTON SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal Sources	$ 4,530,565	$ 4,514,631	$ 4,453,944	$ (60,687)
Other State Sources	249,471	252,226	351,660	99,434
Other Local Sources	1,310,504	1,348,161	1,351,910	3,749
Total Revenues	6,090,540	6,115,018	6,157,514	42,496
Expenditures				
Current:				
Classified Salaries	2,000,582	2,025,582	1,983,846	41,736
Employee Benefits	919,793	929,625	961,263	(31,638)
Food and Supplies	2,621,030	2,621,387	2,711,554	(90,167)
Services and Other Operating Expenditures	312,798	339,069	294,029	45,040
Transfers of Indirect Cost	242,167	248,225	242,169	6,056
Capital Outlay	215,000	313,000	181,757	131,243
Total Expenditures	6,311,370	6,476,888	6,374,618	102,270
Excess (Deficiency) of Revenues Over (Under) Expenditures	(220,830)	(361,870)	(217,104)	(59,774)
Fund Balance, July 1, 2018	2,153,826	2,153,826	2,153,826	-
Fund Balance, June 30, 2019	$ 1,932,996	$ 1,791,956	$ 1,936,722	$ (144,766)

FULLERTON SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years*

	2018	2017	2016	2015	2014
CalSTRS					
District's proportion of the net pension liability	0.1181%	0.1181%	0.1200%	0.1170%	0.1290%
District's proportionate share of the net pension liability	$ 108,556,721	$ 109,180,387	$ 97,057,200	$ 78,769,080	$ 75,383,730
State's proportionate share of the net pension liability associated with the District	62,153,800	64,590,194	55,261,067	41,660,048	45,520,408
Totals	$ 170,710,521	$ 173,770,581	$ 152,318,267	$ 120,429,128	$ 120,904,138
District's covered-employee payroll	$ 65,021,734	$ 62,716,781	$ 60,377,307	$ 57,461,667	$ 53,572,921
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.95%	174.08%	160.75%	137.08%	140.71%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.1623%	0.1687%	0.1673%	0.1644%	0.1587%
District's proportionate share of the net pension liability	$ 43,284,803	$ 40,268,954	$ 33,041,853	$ 24,232,722	$ 18,016,314
District's covered-employee payroll	$ 21,446,584	$ 21,336,110	$ 19,938,997	$ 18,132,291	$ 17,467,785
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.83%	188.74%	165.71%	133.64%	103.14%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

Notes to Schedule:

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

FULLERTON SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
CalSTRS					
Contractually required contribution	$ 10,480,427	$ 9,382,636	$ 7,889,771	$ 6,478,548	$ 5,102,596
Contributions in relation to the contractually required contribution	10,480,427	9,382,636	7,889,771	6,478,548	5,102,596
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 64,376,086	$ 65,021,734	$ 62,716,781	$ 60,377,307	$ 57,461,667
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS					
Contractually required contribution	$ 4,070,085	$ 3,330,869	$ 2,963,158	$ 2,362,173	$ 2,134,352
Contributions in relation to the contractually required contribution	4,070,085	3,330,869	2,963,158	2,362,173	2,134,352
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 22,533,964	$ 21,446,584	$ 21,336,103	$ 19,938,997	$ 18,132,291
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

FULLERTON SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

	2018	2017
Total OPEB liability		
Service cost	$ 2,437,691	$ 2,366,690
Interest	1,198,400	973,022
Experience Gains/Losses	(1,286,016)	-
Changes of assumptions or other inputs	3,274,556	(1,189,399)
Benefit payments	(1,262,276)	(1,428,991)
Net change in total OPEB liability	4,362,355	721,322
Total OPEB liability - beginning	32,517,273	31,795,951
Total OPEB liability - ending	$ 36,879,628	$ 32,517,273
Covered-employee payroll	$ 90,580,263	$ 90,469,777
Total OPEB liability as a percentage of covered-employee payroll	40.71%	35.94%

Notes to Schedule:
The discount rate was decreased from 3.62% to 3.50%. The medical trend assumption was decreased from 5.00% to 4.00%.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

FULLERTON SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2019

	2018	2017
District's proportion of net OPEB liability	0.1857%	0.1879%
District's proportionate share of net OPEB liability	$ 710,966	$ 790,513
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the Proportionate Share of the Net Pension Liability

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

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Change of assumptions* -** In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of Pension Contribution

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate was decreased from 3.62% to 3.50%. The medical trend assumption was decreased from 5.00% to 4.00%.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Supplementary Information

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The Fullerton School District was established in 1888. The District boundaries encompass approximately 26 square miles in Orange County. There were no changes in the boundaries of the District during the current year. The District is currently operating 15 elementary schools (K-6), two combined K-8 schools, and three junior high schools.

BOARD OF TRUSTEES

Member	Office	Term Expires
Janny Meyer	President	November 30, 2022
Jeanette Vazquez	Vice President	November 30, 2020
Hilda Sugarman	Clerk	November 30, 2020
Aaruni Thakur	Member	November 30, 2022
Beverly Berryman	Member	November 30, 2022

DISTRICT ADMINISTRATORS

Robert Pletka, Ed.D.,
Superintendent

Robert R. Coghlan, Ph.D.,
Assistant Superintendent, Business Services

Jeremy Davis,
Assistant Superintendent, Innovation and Instructional Support

Emy Flores, Ed.D.,
Assistant Superintendent, Educational Services

Chad Hammitt, Ed.D.,
Assistant Superintendent, Personnel Services

FULLERTON SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report Certificate No. AF698AAA	Annual Report Certificate No. 3D06EC68
Regular & Extended Year ADA:		
Transitional Kindergarten through Third	5,367.93	5,375.10
Fourth through Sixth	4,325.23	4,315.42
Seventh through Eighth	2,962.19	2,952.79
Total Regular & Extended Year ADA	12,655.35	12,643.31
Special Education - Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	3.35	3.34
Fourth through Sixth	2.71	2.78
Seventh through Eighth	3.50	3.51
Total Special Education - Nonpublic, Nonsectarian Schools	9.56	9.63
Total ADA	12,664.91	12,652.94

FULLERTON SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

Grade Level	Required Minutes	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	37,310	180	Complied
Grade 1	50,400	52,544	180	Complied
Grade 2	50,400	52,740	180	Complied
Grade 3	50,400	53,320	180	Complied
Grade 4	54,000	54,926	180	Complied
Grade 5	54,000	54,926	180	Complied
Grade 6	54,000	54,926	180	Complied
Grade 7	54,000	62,519	180	Complied
Grade 8	54,000	62,519	180	Complied

General Fund	(Budget) 2020 [2]	2019 [3]	2018	2017
Revenues and other financing sources	$ 137,569,128	$ 155,188,362	$ 139,864,795	$ 138,530,885
Expenditures	140,510,045	152,411,964	143,285,522	137,604,756
Total outgo	140,510,045	152,411,964	143,285,522	137,604,756
Change in fund balance (deficit)	(2,940,917)	2,776,398	(3,420,727)	926,129
Ending fund balance	$ 35,054,134	$ 37,995,051	$ 35,218,653	$ 38,639,380
Available reserves [1]	$ 25,806,824	$ 27,395,480	$ 26,050,813	$ 24,915,876
Available reserves as a percentage of total outgo	18.4%	18.0%	18.2%	18.1%
Total long-term debt	$ 227,731,732	$ 232,215,494	$ 225,607,725	$ 206,707,485
Average daily attendance at P-2	12,465	12,665	12,924	13,038

The General Fund balance has decreased by $0.6 million over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of $2.9 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates an operating deficit for the 2019-20 fiscal year. The total long-term debt has increased by approximately $25.5 million over the past two years because of increases to the net pension and OPEB liabilities under GASB Statements 68 and 75.

Average daily attendance has decreased by 373 over the past two years. The District anticipates a decrease in ADA of 200 for the 2019-20 fiscal year.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Budget as of September, 2019.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

FULLERTON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 421,824	
School Breakfast Program - Basic	10.553	13390	577	
National School Lunch Program	10.555	13523	2,999,496	
Summer Food Service Program	10.559	13004	18,304	
USDA Donated Foods	10.555	N/A	393,694	
Total Child Nutrition Cluster				$ 3,833,895
Child and Adult Care Food Program	10.558	13394	569,191	
Cash in Lieu of Commodities	10.558	13389	40,411	
Total Child and Adult Care Food Program				609,602
Fresh fruit and vegetable program	10.582	14968		10,446
Total U.S. Department of Agriculture				4,453,943
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		2,428,727
Title II, Part A, Supporting Effective Instruction	84.367	14341		362,528
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency	84.365	14346	373,193	
Title III, Immigrant Education Program	84.365	15146	30,095	
Subtotal English Language Acquisition Grants Cluster				403,288
Student Support and Academic Enrichment Program:				
Title IV Part A, Stud. Support and Ac. Enrich. (formula)	84.424	15396	131,367	
Title IV Part A, Stud. Support and Ac. Enrich. (Competitive)	84.424	15391	373,647	
Total Student Support and Academic Enrichment Grants				505,014
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Passed through North Orange County SELPA:				
Local Assistance Entitlement	84.027	13379	2,207,305	
Preschool Grants, Part B, Sec 619	84.173	13430	68,032	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	237,762	
Total Special Education Cluster:				2,513,099
Total U.S. Department of Education				6,212,656
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	669,163	
Medi-Cal Administrative Activities (MAA)	93.778	10060	795,181	
Total Medicaid Cluster:				1,464,344
Total U.S. Department of Health & Human Services				1,464,344
Total Expenditures of Federal Awards				$ 12,130,943

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 11,870,455
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	260,488
Total Schedule of Expenditures of Federal Awards		$ 12,130,943

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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 School District
Fullerton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fullerton School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fullerton School District's basic financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Fullerton School 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 Fullerton School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fullerton School District's internal control.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Fullerton 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro + Nigro, PC.

Murrieta, California
November 19, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Fullerton School District
Fullerton, California

Report on Compliance for Each Major Federal Program
We have audited Fullerton School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fullerton School District's major federal programs for the year ended June 30, 2019. Fullerton School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Nigro + Nigro, PC.

Murrieta, California
November 19, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Fullerton School District
Fullerton, California

Report on State Compliance
We have audited Fullerton School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Fullerton School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Fullerton School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Fullerton School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Description	Procedures Performed
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	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Fullerton School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Nigro + Nigro, PC.

Murrieta, California
November 19, 2019

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027 and 84.173	IDEA
93.778	Medical Assistance Program (Medicaid Cluster)

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

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
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 financial statement findings in 2018-19.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2018-19.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2018-001: CALPADS Unduplicated Pupil Count	Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals: • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. During submission of data to CALPADS, the District discovered it did not upload the complete listing of students that qualify as FRPM from the information system for a six-week period. This resulted in underreporting the UPC by 611 students.	40000	We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.	Implemented.