FULLERTON
SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2015

FULLERTON SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2015
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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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 *2014-15 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, 2015, 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 | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE | James Whittington, CPA, CFE, CGFM

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (844) 557-3111 • F: (844) 557-3444

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Emphasis of Matter

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for pensions during fiscal year 2014-15 due to the adoption of Governmental Accounting Standards Board Statement No. 68, *"Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27"* and No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a $109,933,538 reduction of previously reported net position at July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, budgetary comparison information on pages 55 and 56, schedule of funding progress on page 57, schedule of proportionate share of the net pension liability on page 58, and schedule of contributions on page 59 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 62 to 65 and the schedule of expenditures of federal awards on page 66 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 61 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 December 15, 2015 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
December 15, 2015

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2015. 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 kindergarten through eighth grade, including programs for preschool and special education. During the 2014-15 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 13,678 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

- Develop and implement rigorous and innovative instructional programs within a safe and positive learning environment to help shape character, develop intellect, promote 21st Century learning skills, encourage collaboration, foster creativity, and provide for the joys of artistic expression.

Curriculum and Assessment

- Provide a standards-based academic program that focuses on utilizing research-based instructional strategies with effective and timely feedback that allows staff and parents to work together to make instructional decisions that promote success for all students.

Budget and Resources

- Maximize all existing funds and resources to enhance learning opportunities for all students while maintaining fiscal solvency and seeking new sources for revenue enhancement.

Staffing

- Actively recruit, retain and value highly qualified, well-trained staff members.

Parents and Community

- Promote service, partnerships and increased involvement among the District, schools, parents and the community of Fullerton to actively support our schools.

Staff Development

- Encourage and support growth by implementing research-based professional development to guide work and align training opportunities to District goals, site goals and student needs.

Technology

- Empower all students and staff to effectively integrate state-of-the-art technology in all facets of the instructional and operational programs of the District.

MISSION STATEMENT (continued)

Leadership
- Sustain a professional cutting edge leadership team that works together to promote collaboration and foster a positive learning and working environment for all students and staff.

Facilities
- Maintain and improve facilities to provide a safe, attractive, positive learning and working environment for all students and staff.

FINANCIAL HIGHLIGHTS

Districtwide Financial Statements

- As of June 30, 2015, the District's overall financial condition dropped from June 30, 2014, as Net Position decreased $2.7 million. The largest change in the Balance Sheet items was a decrease in net capital assets of $4.5 million, which represents mainly depreciation expense.

- Overall revenues increased $9.0 million, to $134.3 million. The largest category of revenue to the District is the Local Control Funding Formula (LCFF), which makes up $93.2 million (69%) of total revenues.

- Overall expenditures increased $14.8 million, to $137.0 million. The majority of expenditures ($101.7 million) were for instruction and instruction-related services.

- Since expenditures increased more than revenues, the change in net position showed a decrease of $2.7 million. This amount represents a decrease in the District's reserves.

- Total District-wide expenses were $137.0 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 $108.3 million.

General Fund Financial Statements

- The District's General Fund again recorded a net increase to the ending Fund Balance for the year. Actual results were better than the original and revised operating budgets for the year. This positive variance came about primarily because of underspending across all programs.

- Revenues of $115.8 million ($96.9 million Unrestricted, $18.9 million Restricted) were received.

- Expenditures of $115.3 million ($85.5 million Unrestricted, $29.8 million Restricted) were made.

- Net interfund transfers in of $0.9 million were received.

- The net result of operations was an increase to the ending fund balance of $1.4 million. ($2.5 million increase in Unrestricted, $1.1 million decrease in Restricted)

FINANCIAL HIGHLIGHTS (continued)

General Fund Financial Statements (continued)

This provided the District with a General Fund ending balance of $31.7 million. This was comprised of:

Reserved Amounts	$	88,844
Legally Restricted Balances		2,973,908
Board Designated		1,511,761
Designated for Economic Uncertainties		27,153,195
Total	$	31,727,708

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.

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.

School district leaders have conjectured that LCFF presents an historic opportunity to focus on improving student outcomes, closing achievement gaps, and increasing the level of communication between schools and their communities. Further, the State's shift away from complex categorical funding will require Districts to be strategic and collaborative when investing resources and delivering instructional programs to best serve students.

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 of Underserved Students - 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 is beyond the State's current financial means. Therefore, the State intends 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.

FINANCIAL HIGHLIGHTS (continued)

LCFF and Average Daily Attendance (ADA) (continued)

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.

Average Daily Attendance (ADA)

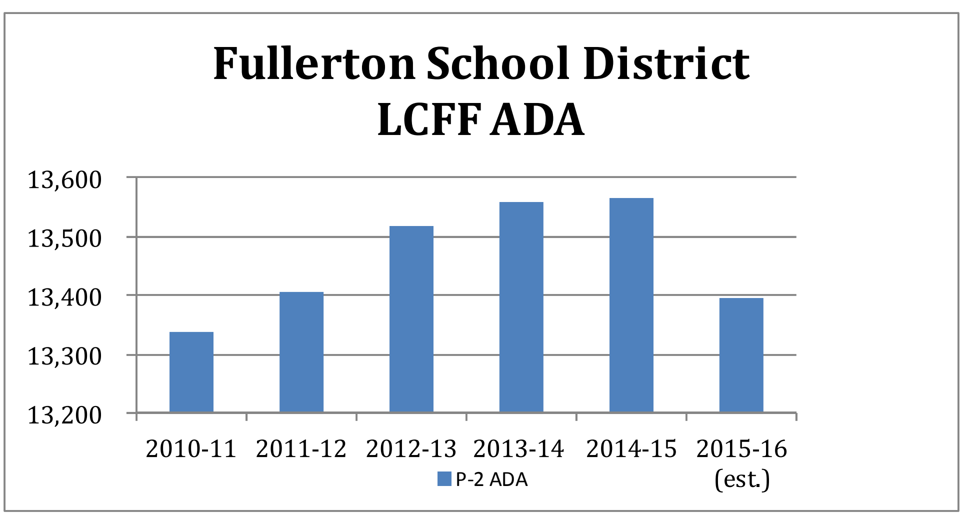
Virtually all of the District's funding is based upon the number of students in attendance at District schools, or Average Daily Attendance (ADA). ADA is calculated based upon the actual number of days a student attends school, divided by the total possible instructional days (180 days for a full school 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.

The District's enrollment most recently peaked in 2013-14. Therefore, even though enrollment decreased by approximately 150 students in fiscal 2014-15, the District still earned LCFF based upon the higher 2013-14 ADA. The lower ADA for 2014-15 will be reflected in the 2015-16 LCFF. This one-year lag will continue as long as the District declines in 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:

2010-11	13,338
2011-12	13,405
2012-13	13,520
2013-14	13,558
2014-15	13,565
2015-16 (est.)	13,395



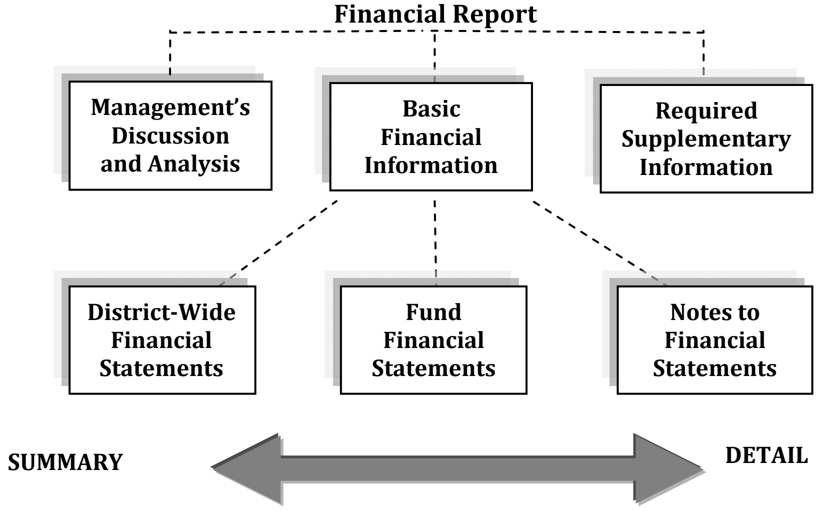
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2015, than it was the year before – decreasing 10.0% to $(30.1) million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase
	2015	2014*	(Decrease)
Current assets	$ 53,593,297	$ 52,542,319	$ 1,050,978
Capital assets	87,920,254	92,383,441	(4,463,187)
Total assets	141,513,551	144,925,760	(3,412,209)
Total deferred outflows	8,879,816	8,110,192	769,624
Current liabilities	6,547,184	6,941,387	(394,203)
Long-term liabilities	149,148,328	173,420,777	(24,272,449)
Total liabilities	155,695,512	180,362,164	(24,666,652)
Total deferred inflows	24,753,707	-	24,753,707
Net position			
Net investment in capital assets	46,362,668	48,451,328	(2,088,660)
Restricted	15,005,287	14,570,080	435,207
Unrestricted	(91,423,807)	(90,347,620)	(1,076,187)
Total net position	$ (30,055,852)	$ (27,326,212)	$ (2,729,640)

** As restated*

Changes in net position, governmental activities. The District's total revenues increased 7.2% to $134.3 million (See Table A-2). The increase is due primarily to increases in state aid.

The total cost of all programs and services increased 12.1% to $137.0 million. The District's expenses are predominantly related to educating and caring for students, 82.4%. The purely administrative activities of the District accounted for just 4.3% of total costs. A significant contributor to the increase in costs was increased spending on instruction and instruction related services.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2

	Governmental Activities		Variance Increase
	2015	**2014**	**(Decrease)**
Total revenues	$ 134,306,043	$ 125,298,632	$ 9,007,411
Total expenses	137,035,683	122,272,859	14,762,824
Increase (decrease) in net position	$ (2,729,640)	$ 3,025,773	$ (5,755,413)

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, 2015, the District reported a combined fund balance of $46.3 million for all of its governmental funds, which represents an increase of $1.4 million to last year's ending fund balance of $44.9 million. Although overall expenditures increased due to compensation raises and normal inflationary increases to all expenditure accounts, revenues, primarily LCFF revenue from the State, increased at a faster rate, resulting in net income and an increase to the ending fund balance.

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 District first published an estimated General Fund budget for the 2014-15 fiscal year in June 2012, as part of the three year projection included with its 2012-13 budget. Since that time, the projection has been revised many times to reflect changes in projected funding levels, as well as anticipated District expenditures.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights (continued)

The 2014-15 "Final" budget was officially approved by the Board of Trustees on June 24, 2014. 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 $3.8 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, 2014 (more revenue was carried over than expected so budgets increased for 2014-15). 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.

- Expenses – budget increased $11.1 million, primarily to reflect employee compensation increases negotiated in the fall of 2014, 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 $7.0 million, the actual results for the year show that revenues exceeded expenditures by roughly $0.5 million. Actual revenues were $52,704 more than anticipated, and expenditures were $7.4 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2015 that will be carried over into the 2015-16 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested $0.6 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 $5.0 million.

Table A-3: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase
	2015	2014	(Decrease)
Land	$ 9,198,655	$ 9,198,655	$ -
Improvement of sites	2,728,479	2,500,791	227,688
Buildings and improvements	72,734,499	77,054,835	(4,320,336)
Machinery and equipment	3,258,621	3,629,160	(370,539)
Total	$ 87,920,254	$ 92,383,441	$ (4,463,187)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $149.1 million in general obligation bonds, net pension liability, certificates of participation, RDA loans, capital leases and employment benefits – a net decrease of 14.0% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2015	2014*	(Decrease)
General obligation bonds	$ 40,872,799	$ 42,320,715	$ (1,447,916)
Certificates of participation	5,840,000	6,160,000	(320,000)
RDA loans	314,602	346,062	(31,460)
Capital leases	293,838	620,050	(326,212)
Early retirement incentives	-	443,624	(443,624)
Compensated absences	1,290,030	1,060,118	229,912
Net pension liability	93,400,044	116,546,354	(23,146,310)
Other postemployment benefits	7,137,015	5,923,854	1,213,161
Total	$ 149,148,328	$ 173,420,777	$ (24,272,449)

** As restated*

FACTORS BEARING ON THE DISTRICT'S FUTURE

Overview

On June 16, 2015, the Governor, the Senate President pro Tempore, and the Speaker of the Assembly announced a budget agreement. The Legislature passed the budget bill and related legislation on Friday, June 19. The budget agreement relies on the administration's May 2015 estimates of (1) General Fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. With savings resulting from (1) rejection of various administration proposals, (2) an error in the administration's Medi-Cal estimates, (3) legislative changes made to the Middle-Class Scholarship Program, and (4) other legislative actions, the agreement makes modest augmentations outside of Proposition 98 above May Revision levels.

2015-16 to End With $4.6 Billion in Estimated Total Reserves

The budget agreement assumes $115 billion in revenues, a 3.3 percent increase over 2014-15. (This total is net of the $1.9 billion deposit in the Proposition 2 Budget Stabilization Account [BSA].) The state's "big three" General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are estimated to increase at a slightly higher rate (4 percent). General Fund revenue growth was much higher in 2014-15, increasing at a very healthy 7.7 percent rate. General Fund spending is largely flat across 2014-15 and 2015-16, increasing at only 0.8 percent. Growth in ongoing programmatic spending, however, is masked by various one-time actions, including one-time spending in 2014-15 on debt payments and mandate backlog claims, and the end of the "triple flip" mechanism used to finance the state's prior deficit financing bonds. The budget ends 2015-16 with $4.6 billion in estimated total reserves, including $1.1 billion in the Special Fund for Economic Uncertainties—the state's traditional budget reserve—and $3.5 billion in the BSA.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98

Substantial Upward Revisions to Estimates of Proposition 98 Minimum Guarantee
State budgeting for preschool, elementary and secondary schools, and the California Community Colleges (CCC) is based primarily on Proposition 98, approved by voters in 1988. Proposition 98 established a minimum funding requirement commonly called the minimum guarantee. The estimate of the 2013-14 and 2014-15 minimum guarantees have increased $612 million and $5.4 billion, respectively from the June 2014 estimates. The estimate of the 2015-16 minimum guarantee is $7.6 billion (12 percent) higher than the *2014-15 Budget Act* level. These increases in the guarantee are due primarily to state revenues being higher than assumed in last year's budget package. The budget package funds at these latest estimates of the minimum guarantees.

Large Upward 2014-15 Adjustments Result in Relatively Modest Year-Over-Year Growth
Growth from the revised 2014-15 level to 2015-16 is $2.1 billion (3 percent). This relatively modest growth is due to the large upward revision to 2014-15 noted above. In 2015-16, total Proposition 98 funding is $68.4 billion. Of this amount, $49.4 billion is General Fund and $19 billion is local property tax revenue. The notable increase in local property tax revenue from 2014-15 to 2015-16 ($2.3 billion, 14 percent) is due in large part to the end of the triple flip and the shift of associated local property tax revenue back from cities, counties, and special districts to school and community college districts. Growth in local property tax revenue is slightly greater than growth in the Proposition 98 minimum guarantee, resulting in a slight reduction in Proposition 98 General Fund from 2014-15 to 2015-16.

Per-Student Funding Increases Significantly
Under the budget package, K-12 per-student funding increases from the *2014-15 Budget Act* level of $8,931 to $9,942 in 2015-16—an increase of $1,011 (11 percent).

Budget Package Contains Many Spending Changes
The budget accounts for higher Local Control Funding Formula (LCFF) costs and uses the remaining funding increase for paying down the K-14 mandate backlog. In addition to these changes, the budget package includes a $256 million settle-up payment related to meeting the Proposition 98 minimum guarantee for 2006-07 and 2009-10 and $207 million in unspent prior-year Proposition 98 funds that have been repurposed.

Package Notably Reduces Outstanding K-14 Obligations
The budget package includes the following K-14 actions, all of which reduce the state's outstanding K-14 obligations.

- ***Pays Down Mandate Backlog.*** The budget package includes $3.8 billion to pay down the K-14 mandate backlog ($3.2 billion is for the K-12 backlog and $632 million for the CCC backlog). After accounting for these payments, the LAO estimates the outstanding K-14 mandate backlog to be $1.5 billion ($1.2 billion for schools and about $300 million for community colleges).
- ***Retires All K-14 Payment Deferrals.*** As required by trailer legislation enacted last year, the budget package provides $992 million to eliminate all remaining K-14 payment deferrals. The budget year will be the first fiscal year since 2000-01 that the state is set to make all K-14 payments on time.
- ***Pays Off Emergency Repair Program (ERP) Obligation.*** The budget includes $273 million for the final ERP payment. Statute requires the state to provide a total of $800 million to school districts for emergency facility repairs, and the state has provided $527 million to date. (Of the $273 million, $145 million comes from a settle-up payment and $128 million comes from unspent prior-year Proposition 98 funds.)

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education

Large Increase for Local Control Funding Formula (LCFF)
The largest single augmentation in the state budget is $6.0 billion for implementing the LCFF for school districts and charter schools—bringing total LCFF funding to $52 billion. This reflects a 13 percent year-over-year increase in LCFF funding. The administration estimates this funding will close 52 percent of the remaining gap to LCFF target rates. The budget funds 90 percent of the estimated statewide full LCFF implementation cost. School districts and charter schools may use LCFF monies for any educational purpose, including implementation of their Local Control and Accountability Plans.

New Secondary School Career Technical Education (CTE) Competitive Grant Program
The budget package includes $900 million in one-time funding for a three-year competitive grant program to promote high-quality CTE. Of this amount, $400 million is provided in 2015-16, $300 million in 2016-17, and $200 million in 2017-18. School districts, county offices of education (COEs), charter schools, and Regional Occupational Centers and Programs operated by joint powers agencies (JPAs) may apply for grants, individually or in consortia. The program provides separate pools of funding for large, medium-sized, and small applicants, based on applicants' average daily attendance (ADA) in grades 7-12. Specifically, 88 percent of the funding is reserved for applicants with ADA greater than 550, 8 percent is reserved for applicants with ADA between 140 and 550, and 4 percent is reserved for applicants with less than 140 ADA. The Superintendent of Public Instruction (SPI), in collaboration with the executive director of the State Board of Education (SBE), will determine the number of grants to be awarded and specific grant amounts.

Package of Special Education Actions
The budget includes $67 million for a package of special education-related activities. Of the $67 million, $52 million is ongoing and $15 million is one time. The largest ongoing augmentation in this package is for expanding services for infants, toddlers, and preschoolers with disabilities as well as requiring preschool staff training and parent education relating to identifying and meeting preschoolers' special needs. The largest one-time augmentation is for one or two COEs to develop statewide resources and training opportunities for addressing students' diverse instructional and behavioral needs.

Second Round of Internet Infrastructure Grants
The budget includes $50 million in one-time funding for the second round of Broadband Internet Infrastructure Grants. The K-12 High Speed Network is to award grants to schools that cannot administer online tests or can only administer the tests by shutting down other essential online activities such as email. Grants may be used to purchase Internet infrastructure. The Department of Finance (DOF) must approve projects resulting in costs exceeding $1,000 per test-taking pupil.

All of these factors were considered in preparing the Fullerton School District budget for the 2015-16 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 Susan Cross Hume, CPA, CIA, CGMA, Assistant Superintendent, Business Services at (714) 447-7412.

FULLERTON SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Total Governmental Activities
ASSETS	
Cash	$ 48,154,485
Accounts receivable	5,328,621
Inventories	76,463
Prepaid expenses	33,728
Non-depreciable assets	9,198,655
Depreciable assets	163,764,201
Less accumulated depreciation	(85,042,602)
Total assets	141,513,551
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	7,223,233
Adjustment due to differences in proportions	110,881
Deferred amounts on refunding	1,545,702
Total deferred outflows of resources	8,879,816
LIABILITIES	
Accounts payable	6,264,588
Unearned revenue	282,596
Long-term debt:	
Portion due or payable within one year	3,156,128
Portion due or payable after one year	145,992,200
Total liabilities	155,695,512
DEFERRED INFLOWS OF RESOURCES	
Net differences between projected and actual earnings on plan investments	24,753,707
NET POSITION	
Net investment in capital assets	46,362,668
Restricted for:	
Capital projects	5,438,728
Debt service	3,141,455
Categorical, childcare, and nutrition programs	6,425,104
Unrestricted	(91,423,807)
Total net position	$ (30,055,852)

FULLERTON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2015

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	$ 86,239,419	$ 61,194	$ 17,885,079	$ (68,293,146)
Instruction-Related Services:				
Supervision of instruction	2,944,763	5,969	1,545,690	(1,393,104)
Instructional library, media and technology	3,742,416	152	197,005	(3,545,259)
School site administration	8,777,467	90	846,696	(7,930,681)
Pupil Support Services:				
Home-to-school transportation	1,940,886	-	-	(1,940,886)
Food services	5,022,731	367,103	3,923,601	(732,027)
All other pupil services	4,301,639	6,146	1,452,537	(2,842,956)
General Administration Services:				
Other general administration	5,879,550	8	613,216	(5,266,326)
Plant services	9,694,757	-	58,779	(9,635,978)
Debt issuance costs	177,471	-	-	(177,471)
Interest on long-term debt	2,293,769	-	-	(2,293,769)
Other outgo	986,257	7,174	1,763,976	784,893
Depreciation (unallocated)	5,034,558	-	-	(5,034,558)
Total Governmental Activities	$ 137,035,683	$ 447,836	$ 28,286,579	$ (108,301,268)

General Revenues:	
Property taxes	41,525,680
Federal and state aid not restricted to specific purpose	59,701,929
Interest and investment earnings	151,530
Miscellaneous	4,192,489
Total general revenues	105,571,628
Change in net position	(2,729,640)
Net position - July 1, 2014, as originally stated	82,607,326
Adjustment for restatement (Note 1.I.)	(109,933,538)
Net position - July 1, 2014, as restated	(27,326,212)
Net position - June 30, 2015	$ (30,055,852)

FULLERTON SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 30,908,901	$ 2,853,571	$ 11,201,643	$ 44,964,115
Accounts receivable	4,879,886	371,379	75,996	5,327,261
Due from other funds	215,468	-	14,475	229,943
Inventories	8,970	67,493	-	76,463
Prepaid expenditures	29,874	3,854	-	33,728
Total Assets	$ 36,043,099	$ 3,296,297	$ 11,292,114	$ 50,631,510
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 2,870,504	$ 769,094	$ 132,777	$ 3,772,375
Due to other funds	38,488	-	212,286	250,774
Unearned revenue	98,732	135,344	48,520	282,596
Total Liabilities	3,007,724	904,438	393,583	4,305,745
Fund Balances				
Nonspendable	88,844	72,167	-	161,011
Restricted	2,973,908	2,319,692	10,898,531	16,192,131
Assigned	2,819,428	-	-	2,819,428
Unassigned	27,153,195	-	-	27,153,195
Total Fund Balances	33,035,375	2,391,859	10,898,531	46,325,765
Total Liabilities and Fund Balances	$ 36,043,099	$ 3,296,297	$ 11,292,114	$ 50,631,510

FULLERTON SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total fund balances - governmental funds			$ 46,325,765
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The net of capital assets and depreciation at year-end is:			
	Capital assets at historical cost	172,962,856	
	Accumulated depreciation	(85,042,602)	
	Net:		87,920,254
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:			(460,418)
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 they are recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			1,545,702
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements. Long-term liabilities at year-end consist of:			
	General obligation bonds payable	40,872,799	
	Certificates of participation payable	5,840,000	
	Fullerton RDA loan payable	314,602	
	Capital leases payable	293,838	
	Compensated absences payable	1,290,030	
	Net pension liability	93,400,044	
	Other postemployment benefits payable	7,137,015	(149,148,328)
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 and inflows of resources relating to pensions consist of:			
	Deferred outflows	7,334,114	
	Deferred inflows	(24,753,707)	(17,419,593)
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 internal service funds is:			1,180,766
Total net position - governmental activities			$ (30,055,852)

FULLERTON SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF Sources	$ 93,228,792	$ -	$ -	$ 93,228,792
Federal Sources	5,853,420	4,276,576	72,054	10,202,050
Other State Sources	9,870,382	255,474	1,457,972	11,583,828
Other Local Sources	9,637,284	1,131,837	7,428,139	18,197,260
Total Revenues	118,589,878	5,663,887	8,958,165	133,211,930
EXPENDITURES				
Current:				
Instruction	80,680,958	-	2,701,689	83,382,647
Instruction-related services:				
Supervision of instruction	3,055,624	-	17,097	3,072,721
Instructional library, media and technology	3,702,111	-	-	3,702,111
School site administration	7,849,660	-	594,668	8,444,328
Pupil support services:			-	
Home-to-school transportation	1,920,379	-	-	1,920,379
Food services	-	5,061,878	-	5,061,878
All other pupil services	4,136,644	-	70,416	4,207,060
General administration services:				
Other general administration	6,159,219	-	-	6,159,219
Plant services	9,270,244	33,163	373,790	9,677,197
Transfers of indirect costs	(360,534)	220,525	140,009	-
Capital outlay	147,326	24,747	399,298	571,371
Intergovernmental	1,305,494	-	-	1,305,494
Debt service:				
Issuance cost	-	-	177,471	177,471
Principal	320,000	-	2,427,672	2,747,672
Interest	206,720	-	1,343,161	1,549,881
Total Expenditures	118,393,845	5,340,313	8,245,271	131,979,429
Excess (Deficiency) of Revenues Over (Under) Expenditures	196,033	323,574	712,894	1,232,501
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	107,793	107,793
Interfund transfers out	(107,793)	-	-	(107,793)
Bond issuance premium	-	-	782,710	782,710
All other sources	-	-	7,028	7,028
Transfer to escrow agent for defeased debt	-	-	(6,685,239)	(6,685,239)
Proceeds from refunding bond	-	-	6,080,000	6,080,000
Total Other Financing Sources and Uses	(107,793)	-	292,292	184,499
Net Change in Fund Balances	88,240	323,574	1,005,186	1,417,000
Fund Balances, July 1, 2014	32,947,135	2,068,285	9,893,345	44,908,765
Fund Balances, June 30, 2015	$ 33,035,375	$ 2,391,859	$ 10,898,531	$ 46,325,765

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, 2015

Total net change in fund balances - governmental funds			$ 1,417,000
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	571,371	
	Depreciation expense	(5,034,558)	
	Net expense adjustment:		(4,463,187)
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:			9,147,672
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:			48,326
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:			(6,862,710)
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.			322,840
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:			(482,214)
In governmental funds, postemployment benefit costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefit costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:			(1,213,161)
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:			149,109
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:			(886,099)
In the statement of activities, certain operating expenses - compensated absences and early retirement incentives, 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:			213,712
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.			(120,928)
Change in net position - governmental activities			$ (2,729,640)

FULLERTON SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2015

	Governmental Activities Internal Service Fund
ASSETS	
Cash	$ 3,190,370
Accounts receivable	1,360
Due from other funds	24,013
Total assets	3,215,743
LIABILITIES	
Accounts payable and accrued liabilities	13,364
Due to other funds	3,182
Estimated liability for open claims and IBNR	2,018,431
Total liabilities	2,034,977
NET POSITION	
Restricted	$ 1,180,766

FULLERTON SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 1,575,047
Other fees and contracts	33,583
Total operating revenues	1,608,630
OPERATING EXPENSES	
Current:	
Classified salaries	116,755
Employee benefits	52,740
Books and supplies	192,421
Services and other operating expenditures	1,377,926
Total operating expenses	1,739,842
Operating Income (Loss)	(131,212)
NON-OPERATING REVENUES	
Interest income	10,284
Change in net position	(120,928)
Net position, July 1, 2014	1,301,694
Net position, June 30, 2015	$ 1,180,766

FULLERTON SCHOOL DISTRICT

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from self-insurance premiums	$ 1,564,252
Cash received from other sources	33,583
Cash paid for operating expenses	(1,774,165)
Net cash provided (used) by operating activities	(176,330)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	9,748
Net increase (decrease) in cash	(166,582)
Cash, July 1, 2014	3,356,952
Cash, June 30, 2015	$ 3,190,370
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (131,212)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets:	
In due from other funds	(10,795)
Increase (decrease) in operating liabilities:	
In accounts payable and accrued liabilities	(34,747)
In due to other funds	1,504
In unearned revenues	(1,080)
Net cash provided (used) by operating activities	$ (176,330)

FULLERTON SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2015

	Agency Funds		
	Associated Student Body Funds	Debt Service Fund for Special Tax Bonds	Total
ASSETS			
Cash	$ 376,370	$ 16,789	$ 393,159
Investments	-	2,486,425	2,486,425
Accounts receivable	-	7	7
Total Assets	$ 376,370	$ 2,503,221	$ 2,879,591
LIABILITIES			
Accounts payable	$ -	$ 8,489	$ 8,489
Unearned revenue	-	1,926,599	1,926,599
Due to student groups	376,370	-	376,370
Due to bondholders	-	568,133	568,133
Total Liabilities	$ 376,370	$ 2,503,221	$ 2,879,591

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. 14, *The Financial Reporting Entity*, 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 governing board of the component units is essentially the same as the governing board 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 fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintained a Deferred Maintenance Fund, a Special Reserve Fund for Other Than Capital Outlay Projects, and a Special Reserve Fund for Postemployment Benefits. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Deferred Maintenance Fund does not currently meet the definition of special revenue funds as it is no longer primarily composed of restricted or committed revenue sources. In addition, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

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 Fund:

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

Capital Projects Funds:

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Debt Service Fund:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

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: This fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a workers' compensation program that is accounted for in a self-insurance service fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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 the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts that are considered blended component units of the District.

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Revenues - Exchange and Non-Exchange Transactions (continued)
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.

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.

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

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. 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.

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. The District has three items that qualify for reporting in this category. Two items are to recognize contributions made to the pension plan after the measurement date of the net pension liability and account for the District change in proportionate share. The third is deferred amounts on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The District has one item that is reported as deferred inflows of resources. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

7. 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.

8. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2014-15 fiscal year, the following GASB Pronouncements became effective:

1. **Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (Issued 06/12)***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Cost-Sharing Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. **Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 (Issued 11/13)***
The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

   Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net position liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

   Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

   This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

   The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

3. **Cumulative Effect of Change in Accounting Principle**
Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards was to decrease the net position at July 1, 2013 by $109,933,538, which is the amount of net pension liability, net of the deferred outflows of resources related to pensions at July 1, 2014.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2015, are reported at fair value and consisted of the following:

		Governmental Activities			
	Rating	Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:					
Cash in County Treasury		$ 41,916,944	$ 3,065,370	$ 44,982,314	$ -
Total Pooled Funds		41,916,944	3,065,370	44,982,314	-
Deposits:					
Cash on hand and in banks		2,852,751	-	2,852,751	393,159
Cash in revolving fund		50,820	125,000	175,820	-
Cash with fiscal agent		143,600	-	143,600	-
Total Deposits		3,047,171	125,000	3,172,171	393,159
Total Cash		$ 44,964,115	$ 3,190,370	$ 48,154,485	$ 393,159
Investments:					
U.S. Bank - Money Market	N/A				$ 2,486,425

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.

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, 2015, 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).

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
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, 2015, $3,127,136 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, 2015, consist of the following:

		Maturity	
	Fair Value	Less Than One Year	One Year Through Five Years
Investment maturities:			
U.S. Bank - Money Market	$ 2,486,425	$ 2,486,425	$ -

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, 2015, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the District had the following investment that represents more than five percent of the District's net investments.

U.S. Bank - Money Market	100%

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:					
Categorical aid programs	$ 1,778,919	$ 344,422	$ 1,852	$ 2,125,193	$ -
State Government:					
LCFF Sources	47,326	-	-	47,326	-
Lottery	1,209,090	-	-	1,209,090	-
Categorical aid programs	580,439	26,623	35,577	642,639	-
Local:					
Special education	156,584	-	-	156,584	-
Interest	9,475	-	2,206	11,681	-
Other local	389,163	-	36,361	425,524	-
Miscellaneous	708,890	334	-	709,224	1,360
Total	$ 4,879,886	$ 371,379	$ 75,996	$ 5,327,261	$ 1,360

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2015, consisted of the following:

	Due From Other Funds				
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds	Total
General Fund	$ -	$ 14,475	$ 14,475	$ 24,013	$ 38,488
Non-Major Governmental Funds	212,286	-	212,286	-	212,286
Proprietary Funds	3,182	-	3,182	-	3,182
Total	$ 215,468	$ 14,475	$ 229,943	$ 24,013	$ 253,956

Child Development Fund due to General Fund for payroll, program and indirect costs	$ 101,979
Self-Insurance Fund due to General Fund for payroll expense	3,182
General Fund due to Child Development Fund for revenues, indirect costs, and expenditure reimbursement	14,475
General Fund due to Self-Insurance Fund for workers' compensation expense	24,013
Capital Facilities Fund due to General Fund for payroll expense and program costs	32,648
Building Fund due to General Fund for laptop debt service expense	77,659
Total	$ 253,956

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2015 consisted of the following:

General Fund transfer to Building Fund for laptop fees collected in the General Fund	$ 107,793

NOTE 5 – FUND BALANCES

At June 30, 2015, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 50,000	$ 820	$ -	$ 50,820
Stores inventories	8,970	67,493	-	76,463
Prepaid expenditures	29,874	3,854	-	33,728
Total Nonspendable	88,844	72,167	-	161,011
Restricted:				
Categorical programs	2,973,908	-	-	2,973,908
Child development program	-	-	1,059,337	1,059,337
Child nutrition program	-	2,319,692	-	2,319,692
Capital projects	-	-	6,697,739	6,697,739
Debt service	-	-	3,141,455	3,141,455
Total Restricted	2,973,908	2,319,692	10,898,531	16,192,131
Assigned:				
Response to Intervention	241,644	-	-	241,644
Site discretionary	356,689	-	-	356,689
Instructional materials K-8	913,429	-	-	913,429
Deferred maintenance program	1,307,666	-	-	1,307,666
Total Assigned	2,819,428	-	-	2,819,428
Unassigned:				
Reserve for economic uncertainties	3,461,292	-	-	3,461,292
Remaining unassigned balances	23,691,903	-	-	23,691,903
Total Unassigned	27,153,195	-	-	27,153,195
Total	$ 33,035,375	$ 2,391,859	$ 10,898,531	$ 46,325,765

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance, July 1, 2014	Additions	Retirements	Balance, June 30, 2015
Capital assets not being depreciated:				
Land	$ 9,198,655	$ -	$ -	$ 9,198,655
Total capital assets not being depreciated	9,198,655	-	-	9,198,655
Capital assets being depreciated:				
Improvement of sites	19,680,289	436,706	-	20,116,995
Buildings and improvements	130,389,540	-	-	130,389,540
Machinery and equipment	13,136,849	134,665	13,848	13,257,666
Total capital assets being depreciated	163,206,678	571,371	13,848	163,764,201
Accumulated depreciation for:				
Improvement of sites	(17,179,498)	(209,018)	-	(17,388,516)
Buildings and improvements	(53,334,705)	(4,320,336)	-	(57,655,041)
Machinery and equipment	(9,507,689)	(505,204)	(13,848)	(9,999,045)
Total accumulated depreciation	(80,021,892)	(5,034,558)	(13,848)	(85,042,602)
Total capital assets being depreciated, net	83,184,786	(4,463,187)	-	78,721,599
Governmental activity capital assets, net	$ 92,383,441	$ (4,463,187)	$ -	$ 87,920,254

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Balance, July 1, 2014*	Additions	Deductions	Balance, June 30, 2015	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	$ 35,910,458	$ 6,080,000	$ 8,470,000	$ 33,520,458	$ 2,345,000
Accreted interest	4,022,429	482,214	-	4,504,643	-
Unamortized issuance premium	2,387,828	782,710	322,840	2,847,698	247,175
Total General Obligation Bonds	42,320,715	7,344,924	8,792,840	40,872,799	2,592,175
Certificates of Participation	6,160,000	-	320,000	5,840,000	330,000
Fullerton RDA Loan	346,062	-	31,460	314,602	31,460
Capital Leases	620,050	-	326,212	293,838	202,493
Early Retirement Incentive	443,624	-	443,624	-	-
Compensated Absences	1,060,118	229,912	-	1,290,030	-
Net Pension Liability	116,546,354	-	23,146,310	93,400,044	-
Other Postemployment Benefits	5,923,854	1,213,161	-	7,137,015	-
Totals	$ 173,420,777	$ 8,787,997	$ 33,060,446	$ 149,148,328	$ 3,156,128

** Beginning balance has been restated in accordance with the implementation of GASB Statement No. 68.*

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 Building Fund. RDA Loan payments are made from the Capital Facilities Fund. Accumulated vacation, early retirement incentives, pensions, and other postemployment benefits will be paid for by the fund for which the employee worked.

NOTE 7 – GENERAL LONG-TERM DEBT (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 $1,256,887 remain to be amortized. As of June 30, 2015, 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.

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. 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 $162,116 remain to be amortized. As of June 30, 2015, the principal balance outstanding on the defeased debt amounted to $6,400,000.

The refunding decreased the District's total debt service payments by $891,640. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of $788,538.

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2014	Additions	Deductions	Advance Refundings	Balance June 30, 2015
7/3/2002	8/1/2023	3.25%-5.375%	$ 40,000,458	$ 4,545,458	$ -	$ -	$ -	$ 4,545,458
8/23/2005	8/1/2026	3.9%-4.5%	9,699,542	7,230,000	-	400,000	6,400,000	430,000
12/1/2010	8/1/2026	2.0%-5.0%	27,645,000	24,135,000	-	1,670,000	-	22,465,000
9/18/2014	8/1/2026	3.0%-5.0%	6,080,000	-	6,080,000	-	-	6,080,000
			$ 83,425,000	$ 35,910,458	$ 6,080,000	$ 2,070,000	$ 6,400,000	$ 33,520,458

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2015 were as follows:

Fiscal Year	Principal	Interest	Total
2015-16	$ 2,345,000	$ 1,287,320	$ 3,632,320
2016-17	2,445,000	1,187,550	3,632,550
2017-18	2,660,000	1,091,475	3,751,475
2018-19	2,885,000	987,000	3,872,000
2019-20	3,135,000	858,675	3,993,675
2020-25	10,845,458	13,527,761	24,373,219
2025-27	9,205,000	639,025	9,844,025
Total	$ 33,520,458	$ 19,578,806	$ 53,099,264

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 $126,699 remain to be amortized.

As of June 30, 2015, the annual requirements to amortize all certificates were as follows:

Fiscal Year	Principal	Interest	Total
2015-16	$ 330,000	$ 195,755	$ 525,755
2016-17	345,000	184,365	529,365
2017-18	355,000	172,635	527,635
2018-19	365,000	160,480	525,480
2019-20	380,000	147,985	527,985
2020-25	2,105,000	534,820	2,639,820
2025-29	1,960,000	152,830	2,112,830
Total	$ 5,840,000	$ 1,548,870	$ 7,388,870

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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, 2015 balance are as follows:

Fiscal Year	Principal
2015-16	$ 31,460
2016-17	31,460
2017-18	31,460
2018-19	31,460
2019-20	31,460
2020-25	157,302
Total	$ 314,602

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:

Fiscal Year	Principal	Interest	Total
2015-16	$ 202,493	$ 7,631	$ 210,124
2016-17	91,345	2,307	93,652
Total	$ 293,838	$ 9,938	$ 303,776

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

E. Early Retirement Incentives

The District has entered into an agreement for early retirement incentives for eligible employees. Eligibility requirements are that employees must be age 55 with 10 years of District service or age 50 with 30 years of District service. The final payment of $443,624 was made during the 2014-15 year.

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 Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

F. Non-Obligatory Debt (continued)

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 $15,850,000 as of June 30, 2015, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – 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.

Condensed financial information is as follows:

	Audited SELF June 30, 2014	Unaudited ASCIP June 30, 2015	Unaudited FSD Finance Authority June 30, 2015
Total Assets	$ 162,746,000	$ 362,899,069	$ 1,695,727
Total Liabilities	118,853,000	205,813,855	-
Net Position	$ 43,893,000	$ 157,085,214	$ 1,695,727
Total Revenues	$ 9,874,000	$ 227,006,438	$ 1,625,443
Total Expenses	4,199,000	214,534,538	1,305,466
Total Non-Operating Revenues	1,938,000	-	-
Change in Net Position	$ 7,613,000	$ 12,471,900	$ 319,977

NOTE 9 – 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. 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 10 – 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, 2015, 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 2015, 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, 2013 to June 30, 2015:

	Workers' Compensation
Liability Balance, July 1, 2013	$ 2,056,554
Claims and changes in estimates	1,250,447
Claims payments	(1,281,859)
Liability Balance, June 30, 2014	2,025,142
Claims and changes in estimates	1,371,215
Claims payments	(1,377,926)
Liability Balance, June 30, 2015	$ 2,018,431
Assets available to pay claims at June 30, 2015	$ 3,215,743

NOTE 11 – 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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions
The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided
CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a $6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)
CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions
Active CalSTRS plan members were required to contribute 8.15% of their salary in 2014-15. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. 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 required employer contribution for fiscal year 2014-15 was 11.771%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	$ 7,945,393	$ 2,134,352
Employee contributions paid by employer	$ -	$ -

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 75,383,730
CalPERS	18,016,314
Total Net Pension Liability	$ 93,400,044

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS*	CalPERS
Proportion - June 30, 2013	0.1290%	0.1579%
Proportion - June 30, 2014	0.1290%	0.1587%
Change - Increase (Decrease)	0.0000%	0.0008%

*The District's proportionate share percentage was not separately determined for June 30, 2013, so the June 30, 2014, percentage was used to calculate the beginning amounts.

For the year ended June 30, 2015, the District recognized pension expense of $8,109,332. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,223,233	$ -
Adjustment due to differences in proportions	110,881	-
Net differences between projected and actual earnings on plan investments	-	(24,753,707)
	$ 7,334,114	$ (24,753,707)

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total amount of $7,223,233 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		Amount
2016	$	(5,232,552)
2017	$	(5,232,552)
2018	$	(5,232,552)
2019	$	-
2020	$	-
Thereafter	$	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.50%
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Post-retirement Benefit Increase	2.00%	-
Investment Rate of Return	7.60%	7.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS
The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalSTRS (continued)
Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS
The discount rate used to measure the total pension liability was 7.50% for CalPERS. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)
The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

	Target Allocation		Long-Term Expected Rate of Return	
Asset Class	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	47%	4.5%	5.7%
Global Fixed Income	N/A	19%	N/A	2.4%
Inflation Sensitive	5%	6%	3.2%	3.4%
Private Equity	12%	12%	6.2%	7.0%
Real Estate	15%	11%	4.4%	5.1%
Infrastructure and Forestland	N/A	3%	N/A	5.1%
Fixed Income	20%	N/A	0.2%	N/A
Liquidity	1%	2%	0.0%	-1.1%
	100%	100%		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	$ 117,503,520	$ 31,604,728
Current Discount Rate	7.60%	7.50%
Net Pension Liability	$ 75,383,730	$ 18,016,314
1% Increase	8.60%	8.50%
Net Pension Liability	$ 40,263,480	$ 6,661,825

Pension Plan Fiduciary Net Position
Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

NOTE 11 – PENSION PLANS (continued)

C. Payable to the Pension Plans

At June 30, 2015, the District reported a payable of $41,999 and $51,642 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2015.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Fullerton School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	123
Active plan members*	988
Total	1,111

** According to the July 1, 2013, actuarial valuation*

Plan Descriptions and Contribution Information

The District has entered into an agreement with its retired employees that the District will provide health benefits as follows:

The medical plan options consist of a PPO and HMO offered by Blue Shield of California, and Kaiser Permanente HMO. Effective January 1, 2014, these coverages are offered through the Self-Insured Schools of California (SISC III). This valuation is based on the SISC rates and medical plan selections as of January, 2014, adjusted to the valuation date at the medical trend rate. As of July 1, 2013, Delta Dental and VSP vision insurance were provided through the Metropolitan Employees Benefits Association (MEBA). Effective January 1, 2014, the District contracted directly with Delta Dental for dental insurance, and vision insurance is provided through Kaiser for members with Kaiser medical coverage, and through Alameda County Schools Insurance Group (ACSIG) for all other members.

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 in order 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.

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.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

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.

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 two-party supplemental coverage, and three Management retirees over age 65 are currently receiving a de minimis District contribution equal to the excess of the MEBA vision rate over the single COBRA rate. Retired Superintendents and Assistant Superintendents have slightly different provisions apply but in all cases except the four mentioned above, benefits end at age 65.

Funding Policy
The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2014-15, the District contributed $1,434,392. This total includes $489,345 to adjust for the implicit rate subsidy.

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	$ 2,753,176
Interest on net OPEB obligation	236,954
Adjustment to ARC	(342,577)
Annual OPEB cost	2,647,553
Contributions made:	
Implicit rate subsidy	(489,345)
Contributions for pay-as-you-go costs	(945,047)
Total contributions made	(1,434,392)
Increase in net OPEB obligation	1,213,161
Net OPEB obligation - July 1, 2014	5,923,854
Net OPEB obligation - June 30, 2015	$ 7,137,015

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-15 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	$ 2,195,042	59%	$ 4,767,990
2014	$ 2,668,162	57%	$ 5,923,854
2015	$ 2,647,553	54%	$ 7,137,015

Funded Status and Funding Progress – OPEB Plans
As of July 1, 2013, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $22.2 million and the unfunded actuarial accrued liability (UAAL) was $22.2 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Open, Level Dollar Method
Remaining Amortization Period	30 years
Asset Valuation	N/A
Actuarial Assumptions:	
Discount rate	4.0%
Long-term healthcare cost trend rates:	
Medical	5.0-8.0%
Dental and Vision	4.0%

Required Supplementary Information

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FULLERTON SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual * (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
Local Control Funding Formula Sources	$ 92,418,917	$ 92,962,281	$ 93,228,792	$ 266,511
Federal Sources	5,230,866	6,586,870	5,853,420	(733,450)
Other State Sources	5,815,362	6,857,701	7,048,540	190,839
Other Local Sources	8,412,495	9,302,559	9,631,363	328,804
Total Revenues	111,877,640	115,709,411	115,762,115	52,704
Expenditures				
Current:				
Certificated Salaries	56,181,941	58,491,500	57,917,756	573,744
Classified Salaries	17,212,621	18,294,717	17,707,520	587,197
Employee Benefits	23,555,008	24,506,545	23,415,127	1,091,418
Books and Supplies	5,594,939	11,185,866	7,072,674	4,113,192
Services and Other Operating Expenditures	7,622,824	8,609,046	7,536,511	1,072,535
Transfers of Indirect Cost	(403,258)	(400,574)	(360,534)	(40,040)
Capital Outlay	117,552	147,730	147,326	404
Intergovernmental	1,186,282	1,352,514	1,305,494	47,020
Debt Service:				
Interest	206,720	206,720	206,720	-
Principal	320,000	320,000	320,000	-
Total Expenditures	111,594,629	122,714,064	115,268,594	7,445,470
Excess (Deficiency) of Revenues Over (Under) Expenditures	283,011	(7,004,653)	493,521	7,498,174
Other Financing Sources and Uses				
Interfund Transfers In	1,001,568	1,001,606	1,001,606	-
Interfund Transfers Out	(185,452)	(107,793)	(107,793)	-
Total Other Financing Sources and Uses	816,116	893,813	893,813	-
Net changes in Fund Balances	1,099,127	(6,110,840)	1,387,334	7,498,174
Fund Balance, July 1, 2014	24,861,015	30,340,374	30,340,374	-
Fund Balance, June 30, 2015	$ 25,960,142	$ 24,229,534	$ 31,727,708	7,498,174

* 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, 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.

On behalf payments of $2,821,842 have been included in the Statement of Revenues, Expenditures and Changes in Fund Balance but are not included in the actual amounts above.

FULLERTON SCHOOL DISTRICT

Budgetary Comparison Schedule – Cafeteria Fund

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal Sources	$ 4,429,657	$ 4,297,308	$ 4,276,576	$ (20,732)
Other State Sources	256,298	256,298	255,474	(824)
Other Local Sources	1,257,283	1,144,337	1,131,837	(12,500)
Total Revenues	5,943,238	5,697,943	5,663,887	(34,056)
Expenditures				
Current:				
Classified Salaries	1,844,229	1,849,994	1,743,177	106,817
Employee Benefits	718,791	745,287	662,340	82,947
Books and Supplies	2,939,925	2,700,304	2,544,831	155,473
Services and Other Operating Expenditures	138,548	150,349	142,550	7,799
Transfers of Indirect Cost	250,165	250,165	220,525	29,640
Capital Outlay	275,000	45,500	26,890	18,610
Total Expenditures	6,166,658	5,741,599	5,340,313	401,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	(223,420)	(43,656)	323,574	(435,343)
Fund Balance, July 1, 2014	1,657,889	2,068,285	2,068,285	-
Fund Balance, June 30, 2015	$ 1,434,469	$ 2,024,629	$ 2,391,859	$ (367,230)

FULLERTON SCHOOL DISTRICT

Schedule of Funding Progress

For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	$ -	$ 17,237,044	$ 17,237,044	0.0%	$ 68,130,297	25.3%
July 1, 2011	$ -	$ 18,367,142	$ 18,367,142	0.0%	$ 63,252,787	29.0%
July 1, 2013	$ -	$ 22,214,849	$ 22,214,849	0.0%	$ 65,484,362	33.9%

FULLERTON SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years*

		2014
District's proportion of the net pension liability (asset):		
CalSTRS		0.1290%
CalPERS		0.1587%
District's proportionate share of the net pension liability (asset):		
CalSTRS	$	75,383,730
CalPERS	$	18,016,314
District's covered-employee payroll:		
CalSTRS	$	53,572,921
CalPERS	$	17,467,785
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS		140.7%
CalPERS		103.1%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS		76.5%
CalPERS		83.4%

* *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 Contributions
For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years*

	2014
Actuarially determined contribution:	
CalSTRS	$ 4,419,766
CalPERS	$ 1,998,664
Contributions in relation to the actuarially determined contribution:	
CalSTRS	$ 4,419,766
CalPERS	$ 1,998,664
Contribution deficiency (excess):	
CalSTRS	$ -
CalPERS	$ -
District's covered-employee payroll:	
CalSTRS	$ 53,572,921
CalPERS	$ 17,467,785
Contributions as a percentage of covered-employee payroll:	
CalSTRS	8.25%
CalPERS	11.442%

* *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

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2015, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

	General Fund
Transfers of Indirect Cost	$ 40,040

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
Chris Thompson	President	November 30, 2018
Lynn Thornley	Vice-President	November 30, 2016
Hilda Sugarman	Clerk	November 30, 2016
Janny Meyer	Member	November 30, 2018
Beverly Berryman	Member	November 30, 2018

DISTRICT ADMINISTRATORS

Robert Pletka, Ed.D.,
Superintendent

Craig Bertsch, Ed.D.,
Assistant Superintendent, Personnel Services

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

Susan Cross Hume, CPA, CIA, CGMA
Assistant Superintendent, Business Services

FULLERTON SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2015

	Second Period Report Certificate No. (4AA4A152)	Annual Report Certificate No. (27A0A118)
Regular & Extended Year ADA:		
Transitional Kindergarten through Third	5,911.32	5,906.25
Fourth through Sixth	4,496.36	4,489.89
Seventh through Eighth	2,932.96	2,930.21
Total Regular & Extended Year ADA	13,340.64	13,326.35
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	0.99	1.24
Fourth through Sixth	2.57	2.95
Seventh through Eighth	0.35	0.49
Total Special Education, Nonpublic, Nonsectarian Schools	3.91	4.68
Total ADA	13,344.55	13,331.03

FULLERTON SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2015

Grade Level	1986-87 Minutes Previously Required	1986-87 Minutes Reduced*	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	35,100	180	Complied
Grade 1	50,400	49,000	52,544	180	Complied
Grade 2	50,400	49,000	52,740	180	Complied
Grade 3	50,400	49,000	53,320	180	Complied
Grade 4	54,000	52,500	54,785	180	Complied
Grade 5	54,000	52,500	54,785	180	Complied
Grade 6	54,000	52,500	54,785	180	Complied
Grade 7	54,000	52,500	62,326	180	Complied
Grade 8	54,000	52,500	62,316	180	Complied

* Amounts reduced as permitted by Education Code Section 46201.2(a).

FULLERTON SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2015

General Fund	(Budget) 2016 [2]	2015 [3]	2014	2013
Revenues and other financing sources	$ 120,214,343	$ 116,763,721	$ 110,462,759	$ 103,542,578
Expenditures	120,167,344	115,268,594	106,488,383	98,984,816
Other uses and transfers out	84,287	107,793	342,099	353,594
Total outgo	120,251,631	115,376,387	106,830,482	99,338,410
Change in fund balance (deficit)	(37,288)	1,387,334	3,632,277	4,204,168
Ending fund balance	$ 31,690,420	$ 31,727,708	$ 30,340,374	$ 26,708,097
Available reserves [1]	$ 27,869,748	$ 27,153,195	$ 24,272,471	$ 19,877,267
Available reserves as a percentage of total outgo	23.2%	23.5%	22.7%	20.0%
Total long-term debt [4]	$ 145,992,200	$ 149,148,328	$ 173,420,777	$ 58,404,941
Average daily attendance at P-2	13,345	13,345	13,511	13,477

The General Fund balance has increased by $5.0 million over the past two years. The fiscal year 2015-16 adopted budget projects a decrease of $37,288. 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 each of the past three years, but anticipates an operating deficit for the 2015-16 fiscal year. The total long-term debt has increased approximately $90.7 million over the past two years. For further information see Note 1.I.

Average daily attendance has decreased by 132 over the past two years. The District anticipates no change in ADA for the 2015-16 fiscal year.

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

[2] Budget as of September, 2015.

[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, 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.

On behalf payments of $2,821,842 have been included in the Statement of Revenues, Expenditures and Changes in Fund Balance but are not included in the actual amounts above.

[4] June 30, 2014, long term debt shown as restated. See Note 1.I.

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, 2015

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:				
Especially Needy Breakfast Program	10.553	13526	$ 407,357	
National School Lunch Program	10.555	13391	2,777,662	
Summer Food Program	10.559	13004	19,697	
USDA - Donated Foods	10.555	N/A	367,103	
Subtotal Child Nutrition Cluster				3,571,819
Child and Adult Care Food Program	10.558	13394		704,757
Total U.S. Department of Agriculture				4,276,576
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind Act (NCLB):				
Title I, Part A, Low Income and Neglected	84.010	14329		2,029,104
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		445,727
Title II, Part B, California Mathematics and Science Partnerships	84.366	14512		26,656
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	14334	9,431	
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	428,953	
Subtotal English Language Acquisition Grants Cluster				438,384
Arts in Education-CREATE Art Grant	84.351D	N/A		4,131
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,254,606	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	76,241	
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	206,664	
Subtotal Special Education Cluster				2,537,511
Total U.S. Department of Education				5,481,513
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Child Care and Development Cluster:				
Federal General and State Preschool Matching	93.596	13609	46,481	
Federal General and State Preschool Discretionary	93.575	15136	25,573	
Subtotal Child Care and Development Fund				72,054
Passed through California Dept. of Health Services:				
Medi-Cal Billing Option & Administrative Activities	93.778	10013		377,400
Total U.S. Department of Health & Human Services				449,454
Total Expenditures of Federal Awards				$ 10,207,543

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 not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as reduced by Education Code Section 46201.2(a).

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 United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

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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, 2015, 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 December 15, 2015.

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 | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE | James Whittington, CPA, CFE, CGFM

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (844) 557-3111 • F: (844) 557-3444

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-1 and 2015-2.

Fullerton School District's Responses to Findings
Fullerton School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Fullerton School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
December 15, 2015

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 *2014-15 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, 2015.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2014-15 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 below 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE | James Whittington, CPA, CFE, CGFM

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (844) 557-3111 • F: (844) 557-3444

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In connection with the audit referred to on the prior page, 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
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	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

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, 2015.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-1 and 2015-2.

District's Responses to Findings
Fullerton School District's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Fullerton School District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.

Nigro + Nigro, PC

Murrieta, California
December 15, 2015

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

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 Circular A-133 *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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE | James Whittington, CPA, CFE, CGFM

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (844) 557-3111 • F: (844) 557-3444

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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, as defined above. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nigro+Nigro, PC

Murrieta, California
December 15, 2015

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 Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants
84.367	Title II, Part A, Improving Teacher Quality
84.365	English Language Acquistion Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 306,226
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
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 2014-15.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2014-15.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2015-1: Unduplicated Pupil Count (40000)

Criteria: 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.

Condition: During our testing of English Learner students reported in the CALPADS 1.17 and 1.18 reports, we noted that one student that was reported as eligible did not have supporting documentation to justify the designation.

Context: We noted the error at one of five schools tested.

Cause: The isolated error was made when the student met the reclassification requirement but was not reclassified.

Questioned Costs: $221. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

		Adjusted based on eligibility for:	
School Site	CALPADS Reported	EL	Adjusted Total
Fern Drive Elementary	218	(1)	217
Aggregate remaining school sites	6,888	-	6,888
District-wide	7,106	(1)	7,105

The enrollment count of 13,678 was not impacted as a result of the procedures performed.

District Response: District personnel will be monitoring the CALPADS reports after every update from our attendance software. District staff will be working to validate and confirm all data before it gets to the state.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2015-2: Instructional Materials (70000)

Criteria: California Education Code Section 60119 requires the District to hold a public hearing prior to making a determination through a resolution as to the sufficiency of textbooks and instructional materials. The public hearing must be held on or before the 8th week of school.

Condition: The District's sufficiency of instructional materials public hearing was held on November 18, 2014. This was after the 8th week of school which began on August 11, 2014. The hearing would have needed to be held on or prior to the week of September 21st.

Context: The exception is limited to the 2014-15 school year.

Questioned Cost: There is no financial penalty associated with noncompliance.

Cause: The District failed to hold the public hearing for instructional materials on or before the 8th week of school.

Effect: The public hearing was not held until November 18.

Recommendation: We recommend that the District ensure that the instructional materials public hearing is completed on or before the 8th week of school.

District Response: The District has placed into action processes and procedures that will ensure the required public hearing be held within the first eight weeks of the school year. This was an oversight in 2014-15 and it was not missed in 2015-16.

There were no audit findings in 2013-14.

Board of Trustees
Fullerton School District
Fullerton, California

In planning and performing our audit of the basic financial statements of Fullerton School District for the fiscal year ending June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2015, on the financial statements of Fullerton School District.

DISTRICT OFFICE

Observation: During a test of cash disbursements, we identified 4 invoices out of 47 that were not preapproved. We also identified a credit card expenditure for a hotel stay during a conference that was approximately twice the approved amount. Although the hotel was over the pre-approved amount, the total for all the conference expenses did not go over the total amount approved. An additional expenditure was for the purchase of a cell phone for which there is no specific written policy as to its use.

Recommendation: We recommend the District approve in advance all purchases to ensure the appropriateness of the disbursement and to determine if the purchase meets budgetary guidelines. Further, we recommend the District investigate all credit card purchases to make sure they adhere to District policy. Finally, we recommend the District fashion a policy for cell phone purchases and their appropriate use for business purposes.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: At Ladera Vista Jr. High, we noted that some cash receipts were not supported by adequate documentation. Cash collected for dances lacked a supporting ticket control worksheet that would provide a reconciliation for amounts collected and subsequently deposited in the bank. Without supporting documentation, we could not verify whether the amounts collected at the dances were deposited intact.

Recommendation: We recommend the site use sound internal control practices in order to discourage theft of ASB funds and protect those that handle the cash. It is important that reconciling methods enable the proceeds from the specific event to be verified from the point of collection to deposit in the bank.

We will review the status of the current year comments during our next audit engagement.

Nigro + Nigro, PC

Murrieta, California
December 15, 2015

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE | James Whittington, CPA, CFE, CGFM

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