

12/15/2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

December 17, 2018

State Controller's Office
Division of Audits
Financial Audits Bureau - Education
Oversight Unit
Via PDF to <ftp://ftp.sco.ca.gov/>

To Whom It May Concern:

The following is the electronic version (pdf) of the annual financial report for the Fremont Unified School District for the year ended June 30, 2018.

Very truly yours,

A handwritten signature in black ink that reads "Terri A. Montgomery". The signature is written in a cursive style with a large, looped 'y' at the end.

Terri Montgomery
of VAVRINEK, TRINE, DAY & CO., LLP

TAM/cp
Enclosures

**FREMONT UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

FREMONT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Fremont Unified School District
Fremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 the Fremont Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 14 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability and the schedule of District contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the Fremont Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fremont Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont Unified School District's internal control over financial reporting and compliance.

Vaurinek, Tine, Day & Co LLP

Pleasanton, California
December 17, 2018

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This discussion and analysis of Fremont Unified School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District’s financial status decreased overall as a result of this year’s operations. Net position of governmental activities decreased by \$18.9 million, or 41% (see Table A-1).
- Governmental expenses were about \$473.4 million. Revenues were about \$454.5 million (see Table A-2).
- The District spent over \$74.0 million in new capital assets during the year. These expenditures were incurred primarily from improvement of sites and buildings.
- The District outstanding long-term debt increased by \$106 million. This was primarily due to the increase in other post employment benefits and STRS and PERS pension liabilities, offset by a reduction in bonds.
- Grades K-12 average daily attendance (ADA) increased by 485.78, or 1.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

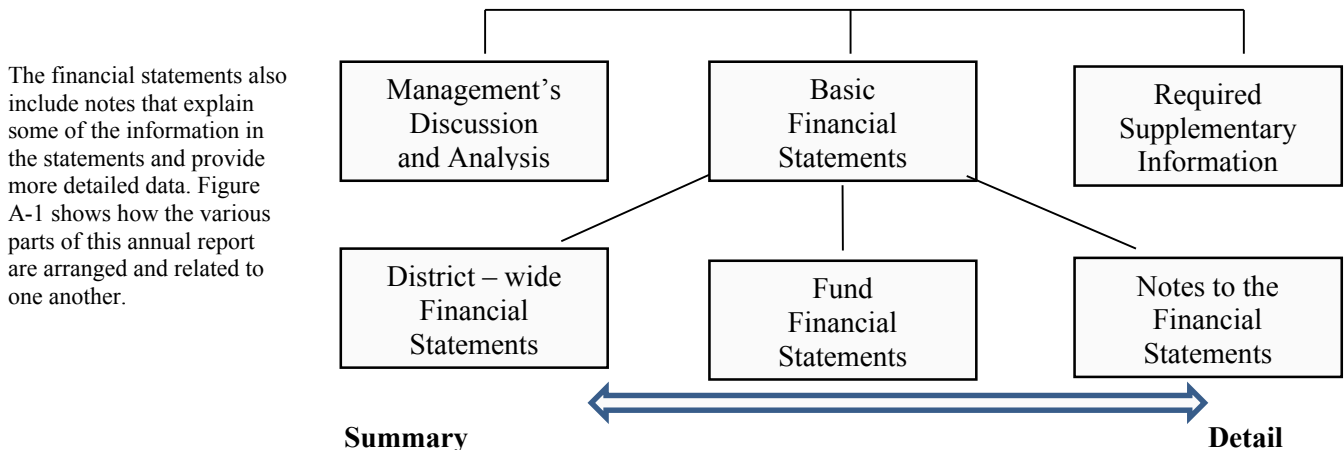
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

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.

Figure A-1, Organization of Fremont Unified School District’s Annual Financial Report



FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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.

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after 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

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

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 detail 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:

- 1) **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.
- 2) **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 provide 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 property and liability claims.

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018

3) Fiduciary funds – The District is the trustee or fiduciary, for assets that belong to others, such as 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, 2018, than it was the year before – decreasing to (\$142.5) million (See Table A-1), primarily as a result of implementing GASB 75 related to measurement of other post employment benefits plan (\$111) million.

Table A-1

	Governmental Activities (in millions)		Variance Increase/ (Decrease)
	2018	Restated 2017	
Assets			
Current and other assets	\$ 329.7	\$ 373.6	\$ (43.9)
Capital assets, net of depreciation	458.0	442.7	15.3
Total Assets	787.7	816.3	(28.6)
Deferred Outflows of Resources	145.3	96.1	49.2
Liabilities			
Current liabilities	55.8	53.9	1.9
Long-term debt	1,000.5	971.5	29.0
Total Liabilities	1,056.3	1,025.4	30.9
Deferred Inflows of Resources	19.2	10.6	8.6
Net Position			
Net investment in capital assets	169.1	160.3	8.8
Restricted	76.0	59.9	16.1
Unrestricted	(387.6)	(343.8)	(43.8)
Total Net Position	\$ (142.5)	\$ (123.6)	\$ (18.9)

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2018

Changes in Net Position, governmental activities. The District total revenues decreased by 0.5% to \$454.5 million (See Table A-2). The decrease is due primarily to federal, state, and local sources.

The total cost of all programs and services increased 6% to \$473.4 million. The District’s expenses are predominantly related to educating students, 72.0%. The administrative activities of the District accounted for just 4% of total costs. A significant contributor to the increase in costs was salaries and benefits.

Table A-2

	Governmental Activities (in millions)		Variance Increase/ (Decrease)
	2018	2017	
Revenues			
Program Revenues			
Charges for services and sales	\$ 6.5	\$ 6.1	\$ 0.4
Operating grants and contributions	73.6	69.0	4.6
General Revenues			
Property taxes, levied for general purposes and debt service	174.1	162.0	12.1
Federal and state aid not restricted to specific purposes	173.7	175.5	(1.8)
Interest and miscellaneous	26.6	44.3	(17.7)
Total Revenues	<u>454.5</u>	<u>456.9</u>	<u>(2.4)</u>
Expenses			
Instruction and related activities	342.0	305.6	36.4
Pupil services	39.7	39.2	0.5
General administration	19.8	18.9	0.9
Plant services	37.4	46.6	(9.2)
Ancillary services	1.8	2.4	(0.6)
Interest on long-term debt	15.5	16.1	(0.6)
Other outgo	17.2	17.0	0.2
Total Expenses	<u>473.4</u>	<u>445.8</u>	<u>27.6</u>
Changes in Net Position	<u>\$ (18.9)</u>	<u>\$ 11.1</u>	<u>\$ (30.0)</u>

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this year, its governmental funds reported a combined fund balance of \$280.8 million, which is below last year's ending fund balance of \$314.5 million. The primary causes of the decreased fund balance are increased costs in salaries and benefits (specifically pension contributions) increased deficit in special education programs and on-going modernization and new construction projects.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues
 - Local Control Funding Formula (LCFF) Cap funding has decreased from 45.17% to 42.97%, which resulted in a decrease of LCFF Sources
 - CalSTRS on-Behalf revenues and expenditures are recorded as required by Governmental Accounting Standard Board (GASB) Statement 68
 - One-time discretionary grant as reimbursement to previous claims for Mandated Activities
 - Carryover of unspent categorical funds from prior year
 - Other revenue categories were also adjusted as grants became available from the Federal, State and local agencies.
- Expenditures
 - Additional staffing due to increase in enrollment
 - Increase in employee benefits for State Teacher Retirement System (STRS) from 12.58% to 14.43% and Public employee Retirement System (PERS) from 13.888% to 15.531% of the employees' gross payroll
 - Budgeted expenditures were adjusted in accordance to the increase in categorical program revenues
 - Additionally, budget for unspent categorical programs (entitlements) with fund balance from the prior year were increased
 - Other expenditure categories were adjusted to cover any unexpected changes during the year.

While the District's final budget for the General Fund, included funds consolidated due to GASB 54, as listed on page 61 anticipated that expenditures would exceed revenues by about \$10.7 million, the actual results for the year show that expenditures exceeded revenues by roughly \$6.1 million. Actual revenues were \$1.8 million less than anticipated, and expenditures were \$6.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

FREMONT UNIFIED SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of 2017-18, the District had invested \$458.0 million in capital assets, related to the District’s ongoing construction and modernization program. (More detailed information about capital assets can be found in the notes to the financial statements). Total depreciation for the year was \$41.0 million.

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 73.5	\$ 3.8	\$ -	\$ 77.3
Site improvements	46.3	0.4	-	46.7
Buildings and improvements	445.2	17.3	-	462.5
Equipment	16.4	0.8	(0.1)	17.1
Construction in progress	74.3	51.7	(17.7)	108.3
Subtotal	655.7	74.0	(17.8)	711.9
Accumulated depreciation	(213.0)	(41.0)	0.1	(253.9)
	<u>\$ 442.7</u>	<u>\$ 33.0</u>	<u>\$ (17.7)</u>	<u>\$ 458.0</u>

LONG-TERM DEBT

At year-end the District had \$1.0 billion in general obligation bonds, certificates of participation, pension liabilities, other postemployment benefits and compensated absences – an increase of 12% from last year – as shown in Table A-4. (more detailed information about the District’s long-term liabilities is presented in notes to the financial statements).

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 408.9	\$ -	\$ (27.2)	\$ 381.7
Certificates of participation	67.9	-	(1.6)	66.3
Aggregate net pension obligation	382.7	56.9	-	439.6
OPEB	33.2	77.9	-	111.1
Other liabilities	1.8	-	-	1.8
Total Long-Term Debt	<u>\$ 894.5</u>	<u>\$ 134.8</u>	<u>\$ (28.8)</u>	<u>\$ 1,000.5</u>
Amount due within one year				<u>\$ 28.2</u>

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE

During the District's budget development process, the following budget assumptions were applied to the District's budget based on the most current information available at that time. However, revenue and expenditure assumptions have changed since then. The following assumptions were applied to the District's 2018-19 Budget that was adopted in June 2018.

The following assumptions were used in estimating revenues and expenditures:

- a) Local Control Funding Formula (LCFF) for 2018-19 is calculated based on enrollment projection of 35,720, 290 students more than last year.
- b) Federal revenues do not include carryover of unspent funds from prior year.
- c) State revenues include one-time discretionary fund of approximately \$344 per student, which is equivalent to about \$11.8 million. The one-time discretionary fund from the prior year has been eliminated for \$5 million. Carryover of unspent funds from the prior year is not included in the State revenues for 2018-19.
- d) Local revenues include estimated gifts/donations from parent organizations and other local donors. Parcel tax revenue (Measure I) in the amount of \$4.3 million is included. Measure I was approved by the voters of Fremont on June 7, 2016.
- e) Certificated, Classified and Management salaries do not include salary increases, other than the step and column adjustments for all eligible employees. The District and Fremont Unified Teachers Association (FUDTA) reached a tentative agreement (TA) in its negotiation for 2017-18. The fiscal impact of the TA is not included in the expenditures due to the timing of the agreement. However, \$4.5 million and \$2.3 million for 2017-18 and 2018-19, respectively has been designated from the ending fund balance, which represents the estimated cost of the TA. Additionally, the estimated cost of salary increase (Me Too) of \$1.9 million and \$1.0 million for California School Employees Association (CSEA), Service Employees International Union (SEIU) Local 1021 and Fremont School Management Association (FSMA) have been designated for 2017-18 and 2018-19, respectively from the ending fund balance.
- f) Employee benefits include \$0.3 million for potential penalties from the Affordable Care Act (ACA). It also includes the increase in pension contribution for State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS).
- g) Books and supplies budgets include cost of adoption of English Language Arts Textbook adoption.
- h) Capital Outlay includes the expenditures for Proposition 39 (California Clean Energy Jobs Act).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 questions about this report or need additional financial information, please contact Raul A. Parungao, Associate Superintendent, 4210 Technology Drive, Fremont, CA 94538 or (510) 659-2572.

FREMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 316,661,462
Receivables	10,160,736
Prepaid expenses	163,595
Other assets	2,333,972
Stores inventories and other current assets	349,036
Capital assets not depreciated	185,711,307
Capital assets, net of accumulated depreciation	272,327,695
Total Assets	787,707,803
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on refunding	7,157,748
Deferred outflows of resources related to OPEB	3,343,915
Deferred outflows related to pensions	134,814,791
Total Deferred Outflows of Resources	145,316,454
LIABILITIES	
Accounts payable	49,210,610
Interest payable	6,528,672
Unearned revenue	122,258
Current portion of long-term obligations	28,207,378
Noncurrent portion of long-term obligations	972,247,488
Total Liabilities	1,056,316,406
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	19,221,714
Total Deferred Inflows of Resources	19,221,714
NET POSITION	
Net investment in capital assets	169,160,413
Restricted for:	
Educational programs	11,843,473
Capital projects	30,267,844
Debt service	33,285,198
Other activities	568,207
Unrestricted	(387,638,998)
Total Net Position	\$ (142,513,863)

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 293,992,050	\$ 1,609,163	\$ 42,064,812	\$ (250,318,075)
Instruction-related activities				
Supervision of instruction	16,935,653	23,661	5,627,890	(11,284,102)
Instructional library, media and technology	4,174,117	124,597	65,089	(3,984,431)
School site administration	26,942,108	1,066,745	1,289,758	(24,585,605)
Pupil services				
Home-to-school transportation	9,379,979	14,139	2,104,587	(7,261,253)
Food services	8,151,863	2,183,236	2,626,133	(3,342,494)
All other pupil services	22,156,126	20,640	4,749,297	(17,386,189)
Administration				
Data processing	5,876,688	-	-	(5,876,688)
All other administration	13,896,096	256,058	1,966,854	(11,673,184)
Plant services	37,382,508	355,846	1,804,213	(35,222,449)
Ancillary services	1,833,274	1,234	374,820	(1,457,220)
Community services	702,128	-	-	(702,128)
Interest on long-term obligations	15,501,816	-	-	(15,501,816)
Other outgo	16,500,615	879,864	10,952,845	(4,667,906)
Total Governmental Activities	\$ 473,425,021	\$ 6,535,183	\$ 73,626,298	(393,263,540)
General revenues and subventions:				
				130,972,680
				38,800,908
				4,348,065
				426,168
				173,697,276
				1,510,672
				24,603,754
				<u>374,359,523</u>
				(18,904,017)
				(46,628,215)
				(76,981,631)
				<u>\$ (142,513,863)</u>

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Deposits and investments	\$ 59,324,660	\$ 151,949,044	\$ 38,510,240	\$ 33,175,740	\$ 33,701,778	\$ 316,661,462
Receivables	5,158,412	506,119	150,931	109,458	4,235,816	10,160,736
Due from other funds	1,048,348	170,391	28,913	-	409,924	1,657,576
Other assets	2,333,972	-	-	-	-	2,333,972
Prepaid expenditures	162,100	-	-	-	1,495	163,595
Stores inventories	218,596	-	-	-	130,440	349,036
Total Assets	<u>\$ 68,246,088</u>	<u>\$ 152,625,554</u>	<u>38,690,084</u>	<u>\$ 33,285,198</u>	<u>\$ 38,479,453</u>	<u>\$ 331,326,377</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 37,265,389	\$ 8,541,233	\$ 469,234	\$ -	\$ 2,469,754	\$ 48,745,610
Due to other funds	555,079	75,593	28,913	-	1,027,991	1,687,576
Unearned revenue	105,554	-	-	-	16,704	122,258
Total Liabilities	<u>37,926,022</u>	<u>8,616,826</u>	<u>498,147</u>	<u>-</u>	<u>3,514,449</u>	<u>50,555,444</u>
Fund Balances						
Nonspendable	480,696	-	-	-	131,935	612,631
Restricted	11,580,949	144,008,728	-	33,285,198	846,954	189,721,829
Assigned	7,010,988	-	38,191,937	-	33,986,115	79,189,040
Unassigned	11,247,433	-	-	-	-	11,247,433
Total Fund Balances	<u>30,320,066</u>	<u>144,008,728</u>	<u>38,191,937</u>	<u>33,285,198</u>	<u>34,965,004</u>	<u>280,770,933</u>
Total Liabilities and Fund Balances	<u>\$ 68,246,088</u>	<u>\$ 152,625,554</u>	<u>\$ 38,690,084</u>	<u>\$ 33,285,198</u>	<u>\$ 38,479,453</u>	<u>\$ 331,326,377</u>

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance - Governmental Funds	\$ 280,770,933
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 712,067,215
Accumulated depreciation is	<u>(254,028,213)</u>
Net Capital Assets	458,039,002
Deferred charges on refunding related to the loss on refunding of debt which is classified as a deferred outflow of resources and expensed over the life of the debt on the government-wide financial statements, but were recorded as an expenditure in the governmental fund statements when the debt was issued.	
	7,157,748
In governmental funds, deferred outflows and inflows of resources related 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.	
	115,593,077
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is paid. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	
	(6,528,672)
An internal service fund is used by the District's management to charge the costs of the worker's compensation and health and welfare insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of activities.	
	(435,000)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.	
	3,343,915
Liabilities of a long-term nature are not recorded in the governmental funds, but are reflected in the statement of net position. Long-term liabilities at year end consist of the following:	
Bonds payable	363,825,000
Premiums	19,705,381
Certificates of participation	64,455,000
Compensated absences (vacations)	1,763,161
Aggregate net pension liability	439,592,014
Net other postemployment benefits (OPEB) liability	<u>111,114,310</u>
Total long-term debt	<u>(1,000,454,866)</u>
Total Net Position - Governmental Activities	<u><u>\$ (142,513,863)</u></u>

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND

BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local control funding formula	\$ 289,603,886	\$ -	\$ -	\$ -	\$ 2,964,759	\$ 292,568,645
Federal sources	11,650,665	-	-	-	6,398,720	18,049,385
Other State sources	51,652,187	-	-	208,149	10,702,273	62,562,609
Other local sources	14,453,817	2,263,349	28,716,570	38,863,428	9,635,157	93,932,321
Total Revenues	367,360,555	2,263,349	28,716,570	39,071,577	29,700,909	467,112,960
EXPENDITURES						
Current						
Instruction	249,938,602	-	-	-	5,829,580	255,768,182
Instruction-related activities						
Supervision of instruction	13,995,936	-	-	-	718,747	14,714,683
Instructional library, media and technology	3,423,739	-	-	-	210,086	3,633,825
School site administration	21,791,472	-	-	-	1,654,972	23,446,444
Pupil services						
Home-to-school transportation	8,248,836	-	-	-	-	8,248,836
Food services	34,239	-	-	-	7,043,996	7,078,235
All other pupil services	19,051,711	-	-	-	114,014	19,165,725
Administration						
Data processing	5,078,327	-	-	-	22,459	5,100,786
All other administration	10,616,664	-	776,080	-	12,787,230	24,179,974
Plant services	31,584,128	-	914,778	-	638,551	33,137,457
Ancillary services	1,593,097	-	-	-	3,008	1,596,105
Community services	611,460	-	-	-	-	611,460
Other outgo	4,387,964	-	-	-	-	4,387,964
Facility acquisition and construction	2,024,965	33,401,674	9,702,780	-	10,511,284	55,640,703
Debt service						
Principal	-	-	1,530,000	25,495,000	-	27,025,000
Interest and other	-	-	2,625,939	14,522,567	-	17,148,506
Total Expenditures	372,381,140	33,401,674	15,549,577	40,017,567	39,533,927	500,883,885
Excess (Deficiency) of Revenues Over Expenditures	(5,020,585)	(31,138,325)	13,166,993	(945,990)	(9,833,018)	(33,770,925)
Other Financing Sources (Uses)						
Transfers in	1,440,056	-	-	-	4,544,905	5,984,961
Transfers out	(2,533,234)	-	-	-	(3,451,727)	(5,984,961)
Net Financing Sources (Uses)	(1,093,178)	-	-	-	1,093,178	-
NET CHANGE IN FUND	(6,113,763)	(31,138,325)	13,166,993	(945,990)	(8,739,840)	(33,770,925)
Fund Balance - Beginning	36,433,829	175,147,053	25,024,944	34,231,188	43,704,844	314,541,858
Fund Balance - Ending	\$ 30,320,066	\$ 144,008,728	\$ 38,191,937	\$ 33,285,198	\$ 34,965,004	\$ 280,770,933

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds		\$ (33,770,925)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	\$ (41,063,659)	
Capital outlays	<u>56,407,204</u>	
Net Expense Adjustment		15,343,545
Amortization of premium and refunding costs are not recorded in the governmental funds, but they impact the statement of activities. The net amortization amount during the year is as follows:		
Premium on general obligation bonds	1,700,569	
Premium on certificates of participation	76,809	
Issuance cost	<u>(615,688)</u>	
Net amortization		1,161,690
Payments made on long-term obligations, including advance refunding, are recorded in the governmental funds as expenditures, but the payment decreases the liability on the statement of net position. Payments on long-term obligations were as follows:		
General obligation bond principal	25,495,000	
Certificates of participation	<u>1,530,000</u>	
Total long-term obligation payments		27,025,000
In the statement of activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount actually paid. This year, vacation used was more than the amounts earned.		56,941
In the governmental funds pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year.		(31,630,156)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		2,424,888
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, as it requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>485,000</u>
Change in Net Position of Governmental Activities		<u><u>\$ (18,904,017)</u></u>

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 271,585
Receivables	966
Due from other funds	30,000
Total Assets	302,551
LIABILITIES	
Current Liabilities	
Accounts payable	296,168
Total Liabilities	296,168
NET POSITION	
Restricted for insurance	6,383
Total Net Position	\$ 6,383

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Contributions	\$ 30,000
OPERATING EXPENSES	
Supplies and materials	719
Facility rental	1,664
Claims and operating costs	30,721
Total Operating Expenses	33,104
Operating Income (Loss)	(3,104)
NONOPERATING REVENUES	
Interest income	3,484
Income (Loss)	34,205
Change in Net Position	380
Total Net Position - Beginning	6,003
Total Net Position - Ending	\$ 6,383

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 435,000
Cash payments for insurance claims	(175,719)
Cash payments to suppliers for goods and services	(2,383)
Cash payments for facility use	(1,664)
Net Cash Provided By Operating Activities	<u>255,234</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,518
Net Cash Provided By Investing Activities	<u>2,518</u>
Net increase in cash and cash equivalents	257,752
Cash and cash equivalents - Beginning	13,833
Cash and cash equivalents - Ending	<u><u>\$ 271,585</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (3,104)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Due from other fund	405,000
Accrued liabilities	(146,662)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 255,234</u></u>

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Agency Fund</u>
ASSETS	
Deposits and investments	\$ 2,091,409
Total Assets	<u>\$ 2,091,409</u>
LIABILITIES	
Due to student groups	\$ 2,091,409
Total Liabilities	<u>\$ 2,091,409</u>

The accompanying notes are an integral part of these financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Fremont Unified School District was formed on July 1, 1964 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades pre K - 12 as mandated by the State and Federal agencies. The District operates twenty-eight elementary, five junior high, five high schools, a preschool, one continuation high school, an adult education program, and a charter school.

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, boards, and agencies that are not legally separate from the District. For Fremont Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent of 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 incomplete or misleading. For financial reporting purposes, the component unit described below has 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 is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Fremont Unified School District Financing Corporation (the Corporation) The Corporation's financial activity is presented in the financial statements blended in the Building Fund. Individual financial statements are not prepared for the Fremont Unified School District Financing Corporation.

Other Related Entities

Charter Schools - The District has approved a Charter for the Circle of Independent Learning (COIL) charter school pursuant to Education Code Section 47605. COIL is operated by the District and has been included in the financial statements.

Joint Powers Agencies and Public Entity Risk Pools - The District is associated with three joint powers agencies; Alameda County Schools Insurance Group, Mission Valley Regional Occupational Program (ROP), and Mission Valley Special Education Local Plan Area (SELPA). The organizations do not meet the criteria for inclusion as component units of the District. More detailed information is presented in Note 13 to the financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued by the District (*Education Code* Sections 15125-15262).

Nonmajor Governmental Funds

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

Charter Schools Fund The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of multi-district Special Education Local Plan Area (SELPA) to account for the Special Education revenue passed through to other member districts.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and Local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

State School Building Lease-Purchase Fund The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

Special Reserve Capital Outlay Fund The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay proposes (*Education Code* Section 42840).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Fund that is accounted for in an internal service fund, which includes the activity for the worker's compensation and health and welfare programs.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

The District operates only agency fund type. Agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Basis of Accounting - Measurement Focus

Government-wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current position and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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 before the eligibility requirements are met 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.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2018 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the benefiting period when incurred.

Stores Inventory

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$20,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20 years; vehicles, 8 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

FREMONT UNIFIED SCHOOL DISTRICT

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt obligations and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount and premium of the debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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.

Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however the District follow the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;

FREMONT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2018

- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

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

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

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

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

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Deposits and investments	
Governmental funds	\$ 316,661,462
Proprietary fund	271,585
Fiduciary fund	2,091,409
Total Deposits and Investments	<u>\$ 319,024,456</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 3,915,352
Investments	315,109,104
Total Deposits and Investments	<u>\$ 319,024,456</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool – The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investments in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

General Authorizations

Limitations as they relate to interest rate risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
US Treasury Obligations	5 years	None	None
US Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	180 days	25%	10%
Negotiable Certificates of Deposit	1 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury Investment Pool and LAIF which purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments issued by or explicitly guaranteed by the US government are exempt from this disclosure. The District's investments in the County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2018.

Investment Type	Book Value	Fair Value	Weighted Average Maturity	Rating
County Treasury Pooled Investment Funds	\$ 311,720,596	\$311,720,596	Less than one year	Not Applicable
Local Agency Investment Fund	211	211	Less than one year	Not Applicable
US Bank Treasury Money Market	3,388,297	3,388,297	Less than one year	AAA
	<u>\$ 315,109,104</u>	<u>\$ 315,109,104</u>		

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Custodial Credit Risk – Deposits

This 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. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. 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. On June 30, 2018, District bank balances of approximately \$3,750,000 were exposed to custodial credit risk because they were uninsured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government							
Categorical aid	\$ 1,178,341	\$ -	\$ -	\$ -	\$ 2,328,229	\$ 3,506,570	\$ -
State Government							
Categorical aid	2,110,509	-	-	-	1,730,825	3,841,334	-
Lottery	818,698	-	-	-	8,295	826,993	-
Local Government							
Interest	157,112	506,119	136,131	109,458	101,912	1,010,732	-
Other local sources	893,752	-	14,800	-	66,555	975,107	966
Total Receivables	\$ 5,158,412	\$ 506,119	\$ 150,931	\$ 109,458	\$ 4,235,816	\$ 10,160,736	\$ 966

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 73,527,833	\$ 3,807,803	\$ -	\$ 77,335,636
Construction in progress	74,264,196	51,840,592	(17,729,117)	108,375,671
Total capital assets not being depreciated	147,792,029	55,648,395	(17,729,117)	185,711,307
Capital assets being depreciated				
Land Improvements	46,347,571	413,146	-	46,760,717
Buildings and improvements	445,199,765	17,315,971	-	462,515,736
Furniture and equipment	16,436,080	758,809	(115,434)	17,079,455
Total capital assets being depreciated	507,983,416	18,487,926	(115,434)	526,355,908
Total capital assets	655,775,445	74,136,321	(17,844,551)	712,067,215
Less accumulated depreciation				
Land Improvements	(28,048,658)	(2,194,700)	-	(30,243,358)
Buildings and improvements	(174,257,875)	(38,407,874)	-	(212,665,749)
Furniture and equipment	(10,773,455)	(461,085)	115,434	(11,119,106)
Total accumulated depreciation	(213,079,988)	(41,063,659)	115,434	(254,028,213)
Capital assets, net of accumulated depreciation	\$ 442,695,457	\$ 33,072,662	\$(17,729,117)	\$ 458,039,002

Depreciation expense charged as a direct expense to governmental functions was as follows:

Governmental Activities	
Instruction	\$ 27,310,511
Supervision of instruction	1,571,210
Instructional library, media, and technology	388,014
School site administration	2,503,573
Pupil transportation	880,797
Food services	755,802
All other pupil services	2,046,485
Ancillary services	170,429
Community Services	65,291
All other general administration	1,288,529
Data processing services	544,654
Plant maintenance and operations	3,538,364
Total Depreciation Expense Governmental Activities	\$ 41,063,659

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transaction and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and Nonmajor governmental funds, internal service fund, and fiduciary fund are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 137,323	\$ -	\$ 387,756	\$ 30,000	\$ 555,079
Building Fund	46,680	-	28,913	-	-	75,593
Capital Facilities Fund	-	28,913	-	-	-	28,913
Non-Major Governmental Funds	1,001,668	4,155	-	22,168	-	1,027,991
Total	<u>\$ 1,048,348</u>	<u>\$ 170,391</u>	<u>\$ 28,913</u>	<u>\$ 409,924</u>	<u>\$ 30,000</u>	<u>\$ 1,687,576</u>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consist of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 2,533,234	\$ 2,533,234
Non-Major Governmental Funds	1,440,056	2,011,671	3,451,727
Total	<u>\$ 1,440,056</u>	<u>\$ 4,544,905</u>	<u>\$ 5,984,961</u>

The General Fund transferred to the Child Development Fund for the Cal-Safe Program	\$ 14,563
The General Fund transferred to the Cafeteria Fund to support the cafeteria program based on 17/18 actuals	2,518,671
The Adult Education Fund transferred to the General Fund to address the deficit	700,000
The Special Reserve Fund for Capital Outlay transferred to the General Fund for rental revenue from the Marshall	740,056
The Cafeteria Fund transferred to the Special Reserve Fund for Capital Outlay to reverse the temporary loan made	2,011,671
Total	<u>\$ 5,984,961</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 10,112,646	\$ 8,541,233	\$ 469,234	\$ 2,244,194	\$ 21,367,307
State apportionment	88,028	-	-	-	88,028
Salaries and benefits	27,064,715	-	-	225,560	27,290,275
Total payables	\$ 37,265,389	\$ 8,541,233	\$ 469,234	\$ 2,469,754	\$ 48,745,610

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Nonmajor Governmental	Total Governmental Funds
Federal financial assistance	\$ 27,210	\$ -	\$ 27,210
State categorical aid	52,612	-	52,612
Other local	25,732	16,704	42,436
Total	\$ 105,554	\$ 16,704	\$ 122,258

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance, restated July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 389,320,000	\$ -	\$ (25,495,000)	\$ 363,825,000	\$ 25,070,000
Premium on issuance of bond	19,568,047	-	(1,700,569)	17,867,478	1,700,569
Total - Bonds	408,888,047	-	(27,195,569)	381,692,478	26,770,569
Certificates of participation (COP)	65,985,000	-	(1,530,000)	64,455,000	1,360,000
Premium on issuance of COP	1,914,712	-	(76,809)	1,837,903	76,809
Total - Certificates of Participation	67,899,712	-	(1,606,809)	66,292,903	1,436,809
Accumulated vacation - net	1,820,102	-	56,941	1,763,161	-
Other post employment benefits (see Note 14)	110,195,283	919,027	-	111,114,310	-
Net other postemployment benefits (OPEB) liability	382,685,109	56,906,905	-	439,592,014	-
Totals	\$ 971,488,253	\$57,825,932	\$ (28,745,437)	\$ 1,000,454,866	\$ 28,207,378

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The Bond Interest and Redemption fund is used to collect assessed property taxes which is used to repay the general obligation bonds. The Capital Facilities fund is used to repay the certificates of participation. Accumulated vacation, net OPEB obligation and pension liabilities will be paid by the fund for which the employee worked.

Bonded Debt

Election of 2014

On June 3, 2014, an election was held at which the requisite fifty-five percent or more of the registered voters of the District authorized the issuance and sale of \$650,000,000 general obligation bonds. The bonds were issued to repair, upgrade, acquire, construct, and equip certain District property and facilities and to pay the costs of issuing the bonds.

On December 9, 2014, the District issued Series A in the amount of \$140,000,000. The bonds were issued as follows \$73,670,000 in serial bonds with stated interest rates of 4.0% and maturities ranging between August 1, 2015 and 2039, and \$66,330,000 in term bonds with stated interest rate of 4.0% and maturing August 1, 2046.

On March 24, 2016, the District issued Series B in the amount of \$130,000,000. The bonds were issued as follows: \$90,045,000 in serial bonds with stated interest rates ranging between 3.0% and 4.0% and maturities between August 1, 2017 and 2040, and \$39,955,000 in term bonds with a stated interest rate of 4.0% and maturing on August 1, 2045.

A summary of outstanding general obligation bonds issued and outstanding as of June 30, 2018, is presented below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2017	Issued	Redeemed	Outstanding June 30, 2018
12/22/09	8/1/2020	2.00-5.00%	\$ 40,740,000	\$ 18,845,000	\$ -	\$ 6,025,000	\$ 12,820,000
2/9/2012	8/1/2026	2.00-5.00%	61,210,000	58,740,000	-	-	58,740,000
12/18/2012	8/1/2030	2.00-5.00%	80,415,000	77,785,000	-	1,395,000	76,390,000
12/9/2014	8/1/2046	4.00%	140,000,000	103,950,000	-	-	103,950,000
3/24/2016	8/1/2045	3.00-4.00%	130,000,000	130,000,000	-	18,075,000	111,925,000
				<u>\$ 389,320,000</u>	<u>\$ -</u>	<u>\$ 25,495,000</u>	<u>\$ 363,825,000</u>

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Debt Service Requirements to Maturity

The bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 25,070,000	\$ 13,553,875	\$ 38,623,875
2020	8,585,000	12,817,500	21,402,500
2021	9,960,000	12,376,625	22,336,625
2022	8,245,000	11,910,075	20,155,075
2023	8,920,000	11,593,175	20,513,175
2024-2028	61,205,000	51,004,675	112,209,675
2029-2033	67,035,000	38,163,212	105,198,212
2034-2038	39,465,000	30,599,181	70,064,181
2039-2043	66,150,000	20,870,007	87,020,007
2044-2046	69,190,000	5,271,800	74,461,800
Total	<u>\$ 363,825,000</u>	<u>\$ 208,160,125</u>	<u>\$ 571,985,125</u>

Certificates of Participation

On May 27, 2015, and February 1, 2017, the District issued \$54,570,000 and \$12,380,000, respectively of certificates of participation through the Fremont Unified School District Financing Corporation for the purpose of providing funds for the purchase of 35068 Fremont Boulevard property and the Rix Center. The certificates consist of serial certificates with interest rates ranging between 3.25%-5.0% with maturity dates through August 1, 2036. Assets consisting of land, building, and equipment in the approximate amount of \$91,300,000 have been pledged as collateral for the certificates of participation.

The annual requirements to amortize the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,360,000	\$ 2,581,168	\$ 3,941,168
2020	1,305,000	2,514,543	3,819,543
2021	1,405,000	2,446,793	3,851,793
2022	1,505,000	2,374,044	3,879,044
2023	1,615,000	2,296,044	3,911,044
2024-2028	9,915,000	10,120,471	20,035,471
2029-2033	13,015,000	7,896,293	20,911,293
2034-2038	15,095,000	5,264,798	20,359,798
2039-2043	13,195,000	2,569,900	15,764,900
2044-2045	6,045,000	244,100	6,289,100
Totals	<u>\$ 64,455,000</u>	<u>\$ 38,308,155</u>	<u>\$ 102,763,155</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$1,763,161.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

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The details of the plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Management of the Plan is vested in the District management.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	1,160
Active employees	<u>2,895</u>
	<u><u>4,055</u></u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$3,343,915 to the Plan, all of which was used for current premiums.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Total OPEB Liability of the District

The District's total OPEB liability of \$111,114,310 was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	4 percent
Salary increases	3 percent, average, including inflation
Investment rate of return	4 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	6 percent for 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

Balance at June 30, 2016	\$110,195,283
Service cost	5,333,834
Interest	1,060,378
Changes of assumptions or other inputs	(2,422,902)
Benefit payments	(3,052,283)
Net change in total OPEB liability	<u>919,027</u>
Balance at June 30, 2017	<u><u>\$111,114,310</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

Total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate and healthcare trend rate that is one percent lower or higher than the current rate was not available in the most recent actuarial study.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,343,915. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$3,343,915.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Fund	Total
Nonspendable						
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Stores inventories	218,596	-	-	-	130,440	349,036
Prepaid expenditures	162,100	-	-	-	1,495	163,595
Total nonspendable	480,696	-	-	-	131,935	612,631
Restricted						
Education programs	11,580,949	-	-	-	830,731	12,411,680
Capital projects	-	144,008,728	-	-	16,223	144,024,951
Debt services	-	-	-	33,285,198	-	33,285,198
Total restricted	11,580,949	144,008,728	-	33,285,198	846,954	189,721,829
Assigned						
One time expenditures	4,023,945	-	-	-	-	4,023,945
Salaries	1,927,800	-	-	-	-	1,927,800
Facilities	558,733	-	38,191,937	-	31,151,815	69,902,485
Other	500,510	-	-	-	2,834,300	3,334,810
Total assigned	7,010,988	-	38,191,937	-	33,986,115	79,189,040
Unassigned						
Reserve for economic uncertainties	11,247,433	-	-	-	-	11,247,433
Total fund balances	\$ 30,320,066	\$ 144,008,728	\$ 38,191,937	\$ 33,285,198	\$ 34,965,004	\$ 280,770,933

NOTE 10 - RISK MANAGEMENT

Description

The District’s risk management activities are recorded in the General and Self-Insurance Funds. The District is exposed to various types of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; natural disaster and employee injuries and illnesses for which the District is self-insured. The District has formal self-insurance plans for worker’s compensation, property and liability, employee dental, employee medical and employee income protection. For workers’ compensation coverage, the District is a member of the Alameda County Schools Insurance Group (ACSIG), a joint powers authority (JPA), from which the District purchases first dollar insurance. For property and liability coverage, the District purchases from Northern California Relief (NorCal ReLief) JPA, with a \$100,000 retention. Funds are set aside by the District to pay for claims under the self insurance limit.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 the fiscal year ending June 30, 2018, the District participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Claims Liabilities

The District records an estimated liability for indemnity torts and other 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 fund 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, 2016 to June 30, 2018:

	<u>Self Insurance</u>
Liability Balance, July 1, 2016	\$ 114,330
Claims and changes in estimates	712,092
Claims payments	<u>(386,537)</u>
Liability Balance, June 30, 2017	439,885
Claims and changes in estimates	(122,009)
Claims payments	<u>(21,708)</u>
Liability Balance, June 30, 2018	<u><u>\$ 296,168</u></u>
Assets available to pay claims at June 30, 2018	<u><u>\$ 302,551</u></u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net	Collective	Collective Deferred	Collective
	Pension Liability	Deferred Outflows of Resources	Inflows of Resources	Pension Expense
CalSTRS	\$ 328,479,592	\$ 97,963,370	\$ 16,930,745	\$ 34,982,917
CalPERS	111,112,422	36,851,421	2,290,969	21,440,950
Total	<u>\$ 439,592,014</u>	<u>\$ 134,814,791</u>	<u>\$ 19,221,714</u>	<u>\$ 56,423,867</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$27,987,342.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 328,479,592
State's proportionate share of the net pension liability associated with the District	194,325,752
Total	<u>\$ 522,805,344</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.3552 percent and 0.3566 percent, resulting in a net increase in the proportionate share of 0.0014 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$34,982,917. In addition, the District recognized pension expense and revenue of \$19,560,753 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 27,987,342	\$ -
Net change in proportionate share of net pension liability	7,906,598	2,453,205
Difference between projected and actual earnings on pension plan investments	-	8,748,327
Differences between expected and actual experience in the measurement of the total pension liability	1,214,749	5,729,213
Changes of assumptions	60,854,681	-
Total	<u>\$ 97,963,370</u>	<u>\$ 16,930,745</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (7,272,808)
2020	5,503,371
2021	793,553
2022	(7,772,443)
Total	<u>\$ (8,748,327)</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 10,633,647
2020	10,633,647
2021	10,633,647
2022	10,633,649
2023	9,322,980
Thereafter	9,936,040
Total	<u>\$ 61,793,610</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 482,312,325
Current discount rate (7.10%)	\$ 328,479,592
1% increase (8.10%)	\$ 203,633,905

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) 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 are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation,. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$9,398,325.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$111,112,422. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.4654 percent and 0.4677 percent, resulting in a net increase in the proportionate share of 0.0023 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$21,440,950. At June 30, 2018, 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	\$ 9,398,325	\$ -
Net change in proportionate share of net pension liability	3,398,949	982,758
Difference between projected and actual earnings on pension plan investments	3,843,730	-
Differences between expected and actual experience in the measurement of the total pension liability	3,980,700	-
Changes of assumptions	16,229,717	1,308,211
Total	<u>\$ 36,851,421</u>	<u>\$ 2,290,969</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (104,152)
2020	4,434,830
2021	1,617,876
2022	(2,104,824)
Total	<u>\$ 3,843,730</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 7,945,021
2020	7,846,811
2021	5,526,565
Total	<u>\$ 21,318,397</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 163,481,979
Current discount rate (7.15%)	\$ 111,112,422
1% increase (8.15%)	\$ 67,667,489

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the TDA as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

The District also contributes to the Fremont Unified School District 403(b) and 457(b) Tax Deferred Annuity Plans, which are defined contribution pension plans. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$15,802,844 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Location	Capital Project	Remaining Construction Commitment	Expected Date of Completion
Facilities	Administration	\$ 3,728,491	To be determined
Fremont Adult Sch	Adult Ed-Remodel	4,835	December 2018
Ardenwood	Elevator Modification	24,996	December 2018
American High	Floor Covering/Tile/Carpet	30,924	October 2018
Mission San Jose High	Floor Covering/Tile/Carpet	8,684	To be determined
Washington High	Floor Covering/Tile/Carpet	2,413	To be determined
Fremont blvd property	Fremont blvd property	7,379	To be determined
Glenmoor ES	FY18/19 Portable Classrooms	21,621	December 2018
Horner JR High	FY18/19 Portable Classrooms	29,734	December 2018
American High	HVAC and Lighting	798,600	October 2020
Leitch ES	Marque	15,016	July 2018
Facilities	Measure E-AdministrationCost	45,811	To be determined
Horner JR High	MS Conversions	5,350,212	August 2020
Thornton JR High	MS Conversions	500	December 2021
Walters JR High	MS Conversions	23,283,843	September 2019
Bringhurst (Lila) Elementary}	New Elementary School	229,609	January 2019
American High	New/Replacement Classrooms	334,376	To be determined
Brookvale ES	New/Replacement Classrooms	19,400	To be determined
Washington High	New/Replacement Classrooms	12,961,851	October 2019
Patterson ES	Parking lot-drop line	49,003	December 2018
Paterson Ranch	Patterson Ranch	6,773	To be determined
Mission Valley ES	Playground	12,486	December 2018
Patterson ES	Playground	33,323	December 2018
Mission San Jose High	Pool Repair/Replacement	198,046	February 2019
Mission San Jose High	Pool Repair/Replacement	4,389,263	February 2019
Hopkins	Remodel	19,179	December 2018
Rix center	Remodel	304,650	To be determined
American High	Renovation-Alteration	950,609	October 2020
Grimmer ES	Renovation-Alteration	214,054	February 2019
Kennedy High	Renovation-Alteration	1,183,600	To be determined
Mission San Jose High	Renovation-Alteration	1,020,988	To be determined
Mission Valley ES	Renovation-Alteration	2,264,311	January 2019
Oliveira ES	Renovation-Alteration	163,291	February 2019
Washington High	Renovation-Alteration	467,776	To be determined
Cabrillo ES	Stage Relocation/lift	580	July 2018

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Location	Capital Project	Remaining Construction Commitment	Expected Date of Completion
American High	Technology Infrastructure	255,304	October 2020
Azevada ES	Technology Infrastructure	37,812	To be determined
Blacow ES	Technology Infrastructure	32,931	To be determined
Brier ES	Technology Infrastructure	108,016	To be determined
Cabrillo ES	Technology Infrastructure	642	To be determined
Chadbourne ES	Technology Infrastructure	46,245	To be determined
Durham ES	Technology Infrastructure	27,013	To be determined
Forest Park ES	Technology Infrastructure	2,863	To be determined
Fremont Adult Sch	Technology Infrastructure	188,249	To be determined
Glenmoor ES	Technology Infrastructure	74,995	To be determined
Gomes ES	Technology Infrastructure	26,745	To be determined
Grimmer ES	Technology Infrastructure	222,001	To be determined
Hirsch ES	Technology Infrastructure	8,535	To be determined
Irvington High	Technology Infrastructure	331,690	To be determined
Leitch ES	Technology Infrastructure	66,553	To be determined
Maloney ES	Technology Infrastructure	48	To be determined
Mattos ES	Technology Infrastructure	14,063	To be determined
Millard ES	Technology Infrastructure	7,133	To be determined
Mission San Jose ES	Technology Infrastructure	46,359	To be determined
Mission San Jose High	Technology Infrastructure	30,346	To be determined
Mission Valley ES	Technology Infrastructure	39,739	To be determined
Niles ES	Technology Infrastructure	412	To be determined
Oliveira ES	Technology Infrastructure	28,503	To be determined
Parkmont ES	Technology Infrastructure	7,621	To be determined
Patterson ES	Technology Infrastructure	3,091	To be determined
Robertson Continuation	Technology Infrastructure	6,210	To be determined
Warm Springs ES	Technology Infrastructure	88,259	To be determined
Warwick ES	Technology Infrastructure	76	To be determined
Washington High	Technology Infrastructure	12,241	To be determined
Weibel ES	Technology Infrastructure	190,608	To be determined
Districtwide	VOIP	5,519,346	July 2019
Williamson Site	Williamson Site	39,519	To be determined
Totals		\$ 65,639,395	

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District participates in joint ventures under joint powers agreements with the Alameda County Schools Insurance Group (ACSIG), Northern California ReLiEF Public Entity Risk Pools, and the Mission Valley Regional Occupational Program (MVROP). The District pays the Mission Valley Regional Occupational Program apportionments related to its ROP attendance. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$6,115,822, and \$4,387,964 to ACSIG, and MVROP, respectively.

NOTE 14 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ (46,628,215)
GASB 75 - Other postemployment benefits plans	<u>(76,981,631)</u>
Net Position - Beginning as Restated	<u><u>\$ (123,609,846)</u></u>

NOTE 15 – SUBSEQUENT EVENTS

The District issued 2014 Series C general obligation bonds in the amount of \$127,000,000 in October 2018. The bonds bear interest ranging from 3.25% to 5% and mature through August 1, 2043.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Local control funding formula	\$ 290,186,161	\$ 289,776,522	\$ 289,603,886	\$ (172,636)
Federal sources	11,477,948	13,037,733	11,650,665	(1,387,068)
Other State sources	28,556,468	51,882,070	51,652,187	(229,883)
Other local sources	10,366,222	14,457,762	14,453,817	(3,945)
Total Revenues ¹	340,586,799	369,154,087	367,360,555	(1,793,532)
EXPENDITURES				
Current				
Certificated salaries	193,176,704	195,438,678	195,201,673	237,005
Classified salaries	60,381,643	58,788,332	58,360,201	428,131
Employee benefits	54,213,981	69,352,560	66,392,905	2,959,655
Books and supplies	13,348,970	16,915,080	12,900,669	4,014,411
Services and operating expenditures	22,491,157	31,824,289	30,637,047	1,187,242
Capital outlay	2,208,614	2,543,013	2,347,032	195,981
Other outgo	3,794,115	3,805,933	6,541,613	(2,735,680)
Total Expenditures ¹	349,615,184	378,667,885	372,381,140	6,286,745
Excess (Deficiency) of Revenues Over Expenditures	(9,028,385)	(9,513,798)	(5,020,585)	4,493,213
Other Financing Sources (Uses)				
Transfers in	1,420,000	1,440,056	1,440,056	-
Transfers out	(100,000)	(2,618,679)	(2,533,234)	85,445
Net Financing Sources (Uses)	1,320,000	(1,178,623)	(1,093,178)	85,445
NET CHANGE IN FUND BALANCES	(7,708,385)	(10,692,421)	(6,113,763)	4,578,658
Fund Balance - Beginning	36,433,829	36,433,829	36,433,829	-
Fund Balance - Ending	\$ 28,725,444	\$ 25,741,408	\$ 30,320,066	\$ 4,578,658

¹ On-behalf payments of \$15,802,844 for CalSTRS were included in Other State Revenue and Instructional Expenditures in the Actual and Final Budget columns, but the excluded in the original budget columns. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, and also are included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

Total OPEB Liability	
Service cost	\$ 5,333,834
Interest	1,060,378
Changes of assumptions	(2,422,902)
Benefit payments	<u>(3,052,283)</u>
Total OPEB Liability - beginning	<u>110,195,283</u>
Total OPEB Liability - ending	<u><u>\$ 111,114,310</u></u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS				
District's proportion of the net pension liability	<u>0.3552%</u>	<u>0.3589%</u>	<u>0.3566%</u>	<u>0.3420%</u>
District's proportionate share of the net pension liability	<u>\$ 328,479,592</u>	<u>\$ 290,310,481</u>	<u>\$ 240,346,680</u>	<u>\$ 199,854,540</u>
State's proportionate share of the net pension liability associated with the District	<u>194,325,752</u>	<u>165,268,578</u>	<u>126,979,856</u>	<u>121,050,452</u>
Total	<u><u>\$ 522,805,344</u></u>	<u><u>\$ 455,579,059</u></u>	<u><u>\$ 367,326,536</u></u>	<u><u>\$ 320,904,992</u></u>
District's covered - employee payroll	<u>\$ 190,714,760</u>	<u>\$ 160,594,009</u>	<u>\$ 145,868,412</u>	<u>\$ 160,599,764</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>172.24%</u>	<u>180.77%</u>	<u>164.77%</u>	<u>124.44%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS				
District's proportion of the net pension liability	<u>0.4654%</u>	<u>0.4677%</u>	<u>0.4463%</u>	<u>0.4175%</u>
District's proportionate share of the net pension liability	<u>\$ 111,112,422</u>	<u>\$ 92,374,628</u>	<u>\$ 65,785,060</u>	<u>\$ 47,396,415</u>
District's covered - employee payroll	<u>\$ 59,241,278</u>	<u>\$ 48,625,478</u>	<u>\$ 43,927,556</u>	<u>\$ 48,878,779</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>187.56%</u>	<u>189.97%</u>	<u>149.76%</u>	<u>96.97%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	\$ 27,987,342	\$ 23,978,095	\$ 14,260,748	\$ 12,034,144
Contributions in relation to the contractually required contribution	<u>(27,987,342)</u>	<u>(23,978,095)</u>	<u>(14,260,748)</u>	<u>(12,034,144)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 194,008,820</u>	<u>\$ 190,714,760</u>	<u>\$ 160,594,009</u>	<u>\$ 145,868,412</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.57%</u>	<u>8.88%</u>	<u>8.25%</u>
CalPERS				
Contractually required contribution	\$ 9,398,325	\$ 8,221,048	\$ 5,723,705	\$ 5,016,527
Contributions in relation to the contractually required contribution	<u>(9,398,325)</u>	<u>(8,221,048)</u>	<u>(5,723,705)</u>	<u>(5,016,527)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 60,572,020</u>	<u>\$ 59,241,278</u>	<u>\$ 48,625,478</u>	<u>\$ 43,927,556</u>
Contributions as a percentage of covered - employee payroll	<u>15.52%</u>	<u>13.88%</u>	<u>11.77%</u>	<u>11.42%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule(s)

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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.

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

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

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

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – There were no changes in the assumptions since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

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

Changes of Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through California Department of Education (CDE):				
Adult Basic Education and ESL	84.002	14508	\$ 420,606	\$ -
Adult Secondary Education	84.002	13978	38,055	-
Adult English Literacy & Civics Education Local Grant	84.002	14109	127,428	-
Title I, Basic Grants Low-Income and Neglected	84.010	14329	2,640,079	13,285
Title I, Part C, Even Start Migrant Education	84.011	14768	66,786	-
Title I, Migrant Education Summer Program	84.011	10005	7,391	-
Title I, Part G, Advanced Placement (AP) Test Fee	84.330B	14831	4,240	-
Title II, Part A, Improving Teacher Quality	84.367	14341	519,804	10,646
Title III, Immigrant Education Program	84.365A	15146	301,692	-
Title III, Limited English Proficient Student Program	84.365A	14346	612,349	632
Career and Technical Education, Basic Grants to States (Secondary, Section 131)	84.048	14894	130,744	-
Indian Education	84.060	10011	34,420	-
Special Education Cluster (IDEA):				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	5,244,408	2,554,332
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	88,349	29,308
Preschool Grants, Part B, Sec 619	84.173	13430	201,021	114,869
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	546,587	312,335
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	394,705	196,310
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,296	741
State Systematic Improvement Activities, Part B	84.027A	15321	40,000	-
Alternative Dispute Resolution	84.173A	13007	3,504	-
Subtotal Special Education Cluster (IDEA):			6,519,870	3,207,895
IDEA Early Intervention Grants, Part C	84.181	23761	211,330	-
Passed through California Department of Rehabilitation:				
Workability II, Transitions Partnership Program	84.126	10006	408,804	-
Total U.S. Department of Education			12,043,598	3,232,458

[1] Catalog number not available

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE):				
Child Nutrition Cluster				
National School Lunch Program	10.555	13524	2,131,737	-
Basic Breakfast	10.553	13390	33,669	-
Especially Needy Breakfast	10.553	13526	407,451	-
Meal Supplements	10.555	13396	31,879	-
Fair Value of Commodities	10.555	13391	275,965	-
Subtotal Child Nutrition Cluster			<u>2,880,701</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>2,880,701</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Health Care Services				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	168,593	-
Subtotal Medicaid Cluster			<u>168,593</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>168,593</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,092,892</u>	<u>\$ 3,232,458</u>

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

The Fremont Unified School District was formed on July 1, 1964 and is comprised of an area of approximately 90 square miles located in Alameda County. There were no changes in the boundaries of the District during the current year. The District operate 28 elementary, five middle, and five high schools. The District also maintains a continuation school, an adult education program and a charter school.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2018, were as follows:

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Yang Shao	President	2018
Michele Berke	Vice President	2020
Desrie Campbell	Clerk	2020
Ann Crosbie	Member	2020
Larry Sweeney	Member	2018

ADMINISTRATION

Kim Wallace, Ed.D.	Superintendent
Raul A. Parungao	Associate Superintendent
Raul Zamora, Ed.D.	Assistant Superintendent, Human Resources
Denise Herrmann, Ed.D	Assistant Superintendent, Instructional Services

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	11,284.68	11,268.21
Fourth through sixth	7,857.53	7,851.58
Seventh and eighth	5,273.80	5,267.13
Ninth through twelfth	9,800.06	9,753.07
Total Regular ADA	<u>34,216.07</u>	<u>34,139.99</u>
Extended Year Special Education		
Transitional kindergarten through third	27.92	27.92
Fourth through sixth	14.33	14.33
Seventh and eighth	6.82	6.82
Ninth through twelfth	14.66	14.66
Total Extended Year Special Education	<u>63.73</u>	<u>63.73</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	8.01	6.94
Fourth through sixth	6.57	4.96
Seventh and eighth	3.77	2.97
Ninth through twelfth	22.48	18.44
Total Special Education, Nonpublic, Nonsectarian Schools	<u>40.83</u>	<u>33.31</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.57	1.57
Fourth through sixth	1.51	1.51
Seventh and eighth	0.55	0.55
Ninth through twelfth	6.47	6.47
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>10.10</u>	<u>10.10</u>
Total ADA	<u><u>34,330.73</u></u>	<u><u>34,247.13</u></u>

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	Second Period Report	Annual Report
CHARTER SCHOOL		
Regular ADA - Non-Classroom-based		
Transitional kindergarten through third	21.55	21.02
Fourth through sixth	61.66	61.75
Seventh and eighth	52.17	52.34
Ninth through twelfth	209.74	211.41
Total Regular Non-Classroom-based ADA	345.12	346.52
Total Regular ADA	345.12	346.52

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3					
Grade 1	50,400	51,300	180	N/A	Complied
Grade 2	50,400	51,300	180	N/A	Complied
Grade 3	50,400	51,300	180	N/A	Complied
Grades 4 - 6					
Grade 4	54,000	54,000	180	N/A	Complied
Grade 5	54,000	54,000	180	N/A	Complied
Grade 6	54,000	54,000	180	N/A	Complied
Grades 7 - 8					
Grade 7	54,000	57,600	180	N/A	Complied
Grade 8	54,000	57,600	180	N/A	Complied
Grades 9 - 12					
Grade 9	64,800	64,800	180	N/A	Complied
Grade 10	64,800	64,800	180	N/A	Complied
Grade 11	64,800	64,800	180	N/A	Complied
Grade 12	64,800	64,800	180	N/A	Complied

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

None noted.

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget)			
	2019 ¹	2018	2017	2016
GENERAL FUND ³				
Revenues	\$ 370,306,774	\$ 367,360,555	\$ 342,271,759	\$ 337,432,492
Other sources and transfers in	885,000	1,440,056	798,219	-
Total Revenues and Other Sources	<u>371,191,774</u>	<u>368,800,611</u>	<u>343,069,978</u>	<u>337,432,492</u>
Expenditures	370,456,975	372,381,140	356,956,912	321,540,105
Other uses and transfers out	407,000	2,533,234	36,102	106,577
Total Expenditures and Other Uses	<u>370,863,975</u>	<u>374,914,374</u>	<u>356,993,014</u>	<u>321,646,682</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 327,799</u>	<u>\$ (6,113,763)</u>	<u>\$ (13,923,036)</u>	<u>\$ 15,785,810</u>
ENDING FUND BALANCE	<u>\$ 30,647,865</u>	<u>\$ 30,320,066</u>	<u>\$ 36,433,829</u>	<u>\$ 50,356,865</u>
AVAILABLE RESERVES	<u>\$ 11,125,919</u>	<u>\$ 11,247,433</u>	<u>\$ 7,108,977</u>	<u>\$ 13,588,392</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ²	<u>3.0%</u>	<u>3.0%</u>	<u>2.0%</u>	<u>4.2%</u>
LONG-TERM DEBT ⁴	<u>\$ 972,247,488</u>	<u>\$ 1,000,454,866</u>	<u>\$ 894,506,622</u>	<u>\$ 823,604,005</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>34,652</u>	<u>34,331</u>	<u>33,844</u>	<u>33,509</u>

The General Fund balance has decreased by \$20,036,799 the past two years. The fiscal year 2018-19 budget projects an increase of \$327,799 (0.1 percent). For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred two operating deficits over the previous three years, and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by \$176,850,861 over the past two years.

Average daily attendance has increased by 822 over the past two years between 2015-15 and 2017-18. An increase of 321 ADA is anticipated during fiscal year 2018-19.

¹ Budget 2019 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts include activity related to the consolidation of the Deferred Maintenance Fund, as required by GASB Statement No. 54

⁴ Long-term obligations have increased in 2018 by approximately \$76 million due to the implementation of GASB Statement No. 75

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Name of Charter School</u>	<u>Included in District Audit</u>
Circle of Independent Learning Charter School	Yes

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Charter School Fund	Special Ed Pass Through Fund	Adult Education Fund
ASSETS			
Deposits and investments	\$ 940,509	\$ -	\$ 2,017,570
Receivables	271,533	1,474,078	1,028,912
Due from other funds	274,415	66,440	22,168
Prepaid expenses	1,400	-	95
Stores inventories	-	-	-
Total Assets	\$ 1,487,857	\$ 1,540,518	\$ 3,068,745
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 83,811	\$ 1,540,518	\$ 118,413
Due to other funds	234,387	-	173,942
Unearned revenue	-	-	2,616
Total Liabilities	318,198	1,540,518	294,971
Fund Balances			
Nonspendable	1,400	-	95
Restricted	282,623	-	176,307
Assigned	885,636	-	2,597,372
Total Fund Balances	1,169,659	-	2,773,774
Total Liabilities and Fund Balances	\$ 1,487,857	\$ 1,540,518	\$ 3,068,745

See accompanying note to supplementary information.

Child Development Fund	Cafeteria Fund	State School Building Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Governmental Funds
\$ 90,180	\$ 133,797	\$ 16,169	\$ 30,503,553	\$ 33,701,778
401,286	969,430	54	90,523	4,235,816
14,563	32,338	-	-	409,924
-	-	-	-	1,495
-	130,440	-	-	130,440
<u>\$ 506,029</u>	<u>\$ 1,266,005</u>	<u>\$ 16,223</u>	<u>\$ 30,594,076</u>	<u>\$ 38,479,453</u>
\$ 53,855	\$ 520,377	\$ -	\$ 152,780	\$ 2,469,754
319	615,188	-	4,155	1,027,991
14,088	-	-	-	16,704
<u>68,262</u>	<u>1,135,565</u>	<u>-</u>	<u>156,935</u>	<u>3,514,449</u>
-	130,440	-	-	131,935
371,801	-	16,223	-	846,954
65,966	-	-	30,437,141	33,986,115
<u>437,767</u>	<u>130,440</u>	<u>16,223</u>	<u>30,437,141</u>	<u>34,965,004</u>
<u>\$ 506,029</u>	<u>\$ 1,266,005</u>	<u>\$ 16,223</u>	<u>\$ 30,594,076</u>	<u>\$ 38,479,453</u>

FREMONT UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Charter School Fund	Special Ed Pass Through Fund	Adult Education Fund
REVENUES			
Local control funding formula	\$ 2,964,759	\$ -	\$ -
Federal sources	-	3,207,895	586,089
Other State sources	325,639	8,904,756	142,620
Other local sources	16,919	-	3,942,220
Total Revenues	3,307,317	12,112,651	4,670,929
EXPENDITURES			
Current			
Instruction	2,479,772	-	2,510,260
Instruction-related activities			
Supervision of instruction	76,831	-	101,873
Instructional library, media and technology	89,655	-	120,431
School site administration	451,504	-	1,203,468
Pupil services			
Food services	-	-	-
All other pupil services	114,014	-	-
Administration			
Data processing	22,459	-	-
All other administration	116,549	12,112,651	172,727
Plant services	65,428	-	334,412
Ancillary services	3,008	-	-
Facility acquisition and construction	-	-	-
Total Expenditures	3,419,220	12,112,651	4,443,171
Excess (Deficiency) of Revenues Over Expenditures	(111,903)	-	227,758
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	(700,000)
Net Financing Sources (Uses)	-	-	(700,000)
NET CHANGE IN FUND BALANCES	(111,903)	-	(472,242)
Fund Balance - Beginning	1,281,562	-	3,246,016
Fund Balance - Ending	\$ 1,169,659	\$ -	\$ 2,773,774

See accompanying note to supplementary information.

Child Development Fund	Cafeteria Fund	State School Building Fund	Special Reserve Capital Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,964,759
-	2,604,736	-	-	6,398,720
1,050,861	278,397	-	-	10,702,273
510,384	3,537,299	224	1,628,111	9,635,157
<u>1,561,245</u>	<u>6,420,432</u>	<u>224</u>	<u>1,628,111</u>	<u>29,700,909</u>
839,548	-	-	-	5,829,580
540,043	-	-	-	718,747
-	-	-	-	210,086
-	-	-	-	1,654,972
-	7,043,996	-	-	7,043,996
-	-	-	-	114,014
-	-	-	-	22,459
70,115	315,188	-	-	12,787,230
2,938	32,767	46	202,960	638,551
-	-	-	-	3,008
-	-	-	10,511,284	10,511,284
<u>1,452,644</u>	<u>7,391,951</u>	<u>46</u>	<u>10,714,244</u>	<u>39,533,927</u>
<u>108,601</u>	<u>(971,519)</u>	<u>178</u>	<u>(9,086,133)</u>	<u>(9,833,018)</u>
14,563	2,518,671	-	2,011,671	4,544,905
-	(2,011,671)	-	(740,056)	(3,451,727)
<u>14,563</u>	<u>507,000</u>	<u>-</u>	<u>1,271,615</u>	<u>1,093,178</u>
123,164	(464,519)	178	(7,814,518)	(8,739,840)
314,603	594,959	16,045	38,251,659	43,704,844
<u>\$ 437,767</u>	<u>\$ 130,440</u>	<u>\$ 16,223</u>	<u>\$ 30,437,141</u>	<u>\$ 34,965,004</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 18,049,385
Commodities Received	10.555	275,965
Total Schedule of Expenditures of Federal Awards		\$ 18,325,350

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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.

FREMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

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 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.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Fremont Unified School District
Fremont, 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 Fremont Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fremont Unified School District's basic financial statements, and have issued our report thereon dated December 17, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 14 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont Unified 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 Fremont Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont Unified 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Fremont Unified School District in a separate letter dated December 17, 2018.

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.

Vavrinek, Ture, Day & Co LLP

Pleasanton, California
December 17, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Fremont Unified School District
Fremont, California

Report on Compliance for Each Major Federal Program

We have audited Fremont Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont Unified School District's major Federal programs for the year ended June 30, 2018. Fremont Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Fremont Unified 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, 2018.

Report on Internal Control Over Compliance

Management of Fremont Unified 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 Fremont Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont Unified School District's internal control over compliance.

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

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

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

Vaurinek, Trine, Day & Co LLP

Pleasanton, California
December 17, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Fremont Unified School District
Fremont, California

Report on State Compliance

We have audited Fremont Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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 Fremont Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Fremont Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Fremont Unified 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 opinions. Our audit does not provide a legal determination of Fremont Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Fremont Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The Charter School did not have any classroom based ADA, therefore, we did not perform any procedures for Determination of Funding for Annual Instructional Minutes Classroom Based and did not have a Facility Grant.

Vavinek, Tine, Day & Co LLP

Pleasanton, California
December 17, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FREMONT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with of Uniform Guidance, Section .510(a)	<u>No</u>
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173, 84.177</u>	<u>Special Education Cluster</u>
<u>84.010</u>	<u>Title I, Basic Grants Low-Income and Neglected</u>
	<u>Title III, Limited English Proficient Student</u>
<u>84.365A</u>	<u>Program and Immigrant Education</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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FREMONT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
Fremont Unified School District
Fremont, California

In planning and performing our audit of the financial statements of Fremont Unified School District for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities 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 17, 2018 on the financial statements of the District.

Comment

Associated Student Body (ASB) funds are subject to greater risk of loss due to the nature of the transactions to the decentralized structure of the accounting process.

- Bank reconciliations included stale dated checks.
- Tracking of tickets sold could be improved. Noting beginning and ending tickets used for a particular event assists in completing revenue potentials and identifying amount of funds expected to have been received from an event.

Recommendation

We recommend that management continue to focus on strong segregation of duties and review and monitoring of ASB activity to confirm that established procedures are followed and transactions verified.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 17, 2018