

**FRESNO UNIFIED SCHOOL DISTRICT**  
Fresno, California

**FINANCIAL STATEMENTS**  
June 30, 2014

**FRESNO UNIFIED SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

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**FINANCIAL STATEMENTS**  
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## INDEPENDENT AUDITOR'S REPORT

Audit Committee and Board of Education  
Fresno Unified School District  
Fresno, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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, the business-type activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of June 30, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 to 18 and the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 65 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fresno Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

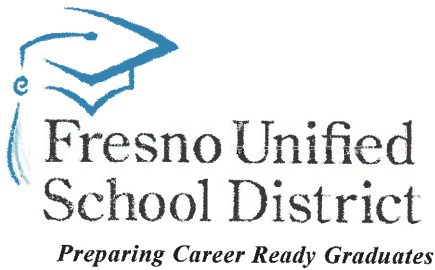
The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014 on our consideration of Fresno 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fresno Unified School District's internal control over financial reporting and compliance.

  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014



**BOARD OF EDUCATION**

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**SUPERINTENDENT**

Michael E. Hanson

December 10, 2014

Board of Trustees  
Fresno Unified School District  
Fresno, California 93721

Dear Trustees:

I am pleased to present the financial statements for the Fresno Unified School District (the District) for the fiscal year ended June 30, 2014, with the Independent Auditors' Reports on those financial statements and the Federal and State Compliance audits. These financial statements have been prepared in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), and confirm that the District is fiscally sound as defined by the State Controller's Office, with a General Fund balance of \$70,499,866.

The California Education Code requires the governing board provide for an annual audit made by certified public accountants licensed by the State Board of Accountancy. The licensed firm of Crowe Howarth LLP rendered the attached auditors' reports. I believe that the data, as presented, is accurate in all material respects, that it is a fair presentation of the financial position and the results of the District's operations, and that the audit satisfies the requirements of the Education Code.

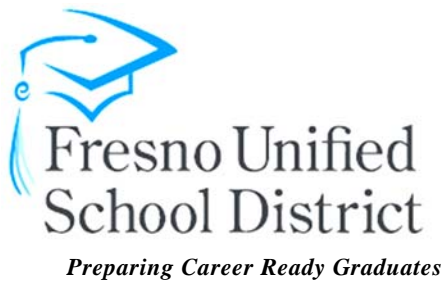
The District has prepared its financial statements since 2001 using the financial reporting requirements as prescribed by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34). GASB No. 34 requires that Management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The financial statements for the year ended June 30, 2014 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully,

Ruth F. Quinto  
Deputy Superintendent/Chief Financial Officer





We, the management of the Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparison between fiscal year 2013/14 and fiscal year 2012/13.

***FINANCIAL HIGHLIGHTS***

- The primary government has net position in governmental activities totaling \$180 million at June 30, 2014.
- Business-type activities have a net position surplus of \$10 million.
- The total net position of the District decreased by \$29.5 million during fiscal year 2013/14. This is mainly due to continued construction of new capital assets as a result of Measure K and Measure Q construction bond funding and the reduction of state cash deferrals offset by increased post-retirement benefits and the issuance of Measure Q, Series C.
- The total net position of the District's business-type activity for Food Services decreased by 11% mainly due to increased food costs and lease payments which will expire in 2028.
- Fund balance of the District's governmental funds increased marginally by \$1 million resulting in an ending fund balance of \$176 million. The increase was due to a combination of the issuance of Measure Q, Series C offset by additional capital projects and utilization of the General Fund balance.
- At the end of the 2013/14 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by \$9 million resulting in an ending fund balance of \$62 million. This was mainly due to the strategically planned utilization of the fund balance in 2013/14.
- Governmental Accounting Standards Board Statement No. 45, Other Post-Employment Benefits (GASB 45) requires an actuarial valuation of the District's Retiree Health Benefits Plan. The District is required to recognize the Annual Retirement Contribution (ARC) on an annual basis for 30 years. The ARC of \$66 million for 2013/14 is offset by the 2013/14 actual healthcare costs of \$29 million for District retirees and covered dependents. In addition, \$21 million in cash reserve was transferred into an irrevocable trust. The change of \$16 million is included as an increased liability. This is the seventh year the District has recorded the liability, which now totals \$281 million.

# Management Discussion and Analysis

## June 30, 2014

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- The District's long-term obligations increased by \$49 million to \$729 million mainly as a result of the issuance of Measure Q, Series C and GASB 45 offset with continued payments to the general obligation bond debt and supplementary retirement benefits (as described above).
- The District maintained a positive financial position for 2013/14 as reflected by Moody's credit rating of Aa3 issued in September 2014.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

Management's discussion and analysis presents an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

#### *Government-wide Financial Statements*

The government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the *Statement of Net Position* and the *Statement of Activities*.

- The *Statement of Net Position* presents information about all of the District's assets and liabilities. The difference between assets and deferred outflows of resources and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator whether the financial position of the District is improving or deteriorating.
- The *Statement of Activities* presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The *Government-wide Financial Statements* consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues and business-type activities that are intended to recover all or most of their costs from user fees and charges. The District's Government-wide Statements include the following funds:

Governmental and Internal Service Activities	Business-Type Activities
General Fund	Cafeteria Fund
Charter Fund	
Special Revenue Funds	
Capital Project Funds	
Debt Service Funds	
Internal Service Funds	

The *Government-wide Financial Statements* also include information on component units that are legally separate from the District (known as the primary government). The District is the trustee, or

## Management Discussion and Analysis

### June 30, 2014

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*fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* and a *Statement of Changes in Fiduciary Net Position*.

We exclude these activities from the District's *Government-wide Financial Statements* because the District cannot use these assets to finance its operations.

#### Fund Financial Statements

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund Financial Statements for the District include governmental funds and proprietary funds.

Governmental funds account for essentially the same information reported in the governmental activities of the *Government-wide Financial Statements*. However, unlike the government-wide statements, the *Governmental Fund Financial Statements* focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains 11 different governmental funds. The major funds are the General, Building, County School Facilities Funds and Bond Interest and Redemption. They are presented separately in the *Fund Financial Statements* with the remaining governmental funds combined into a single aggregated presentation labeled *All Non-Major Funds*. Individual fund information for the non-major funds is presented in the Supplementary Information section.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the General Fund is included in the *Fund Financial Statements* to demonstrate compliance with the adopted budget.

The District maintains two types of proprietary funds. Enterprise funds are used to present the same functions as the business-type activities presented in the *Government-wide Financial Statements*.

The *Fund Financial Statements* of the enterprise fund provide the same information as the *Government-wide Financial Statements* only in more detail. The internal service fund is used to accumulate and allocate costs internally among the governmental functions.

The enterprise fund is the Cafeteria Fund and is considered to be a major fund. Individual internal service fund information is presented in the *Fund Financial Statements* as the Statement of Fund Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows – Proprietary Fund. These statements consolidate the District's internal service funds including the Property and Liability Fund, Workers' Compensation Fund, Health Fund, and the Defined Benefits Fund.

The Other Post-Employment Benefits Fund is for retirement health benefits and is considered to be a fiduciary fund. This fund exists to account separately for amounts held in a formal irrevocable trust fund and can only be used for benefit of our retiree's health expenses.

#### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

# Management Discussion and Analysis

## June 30, 2014

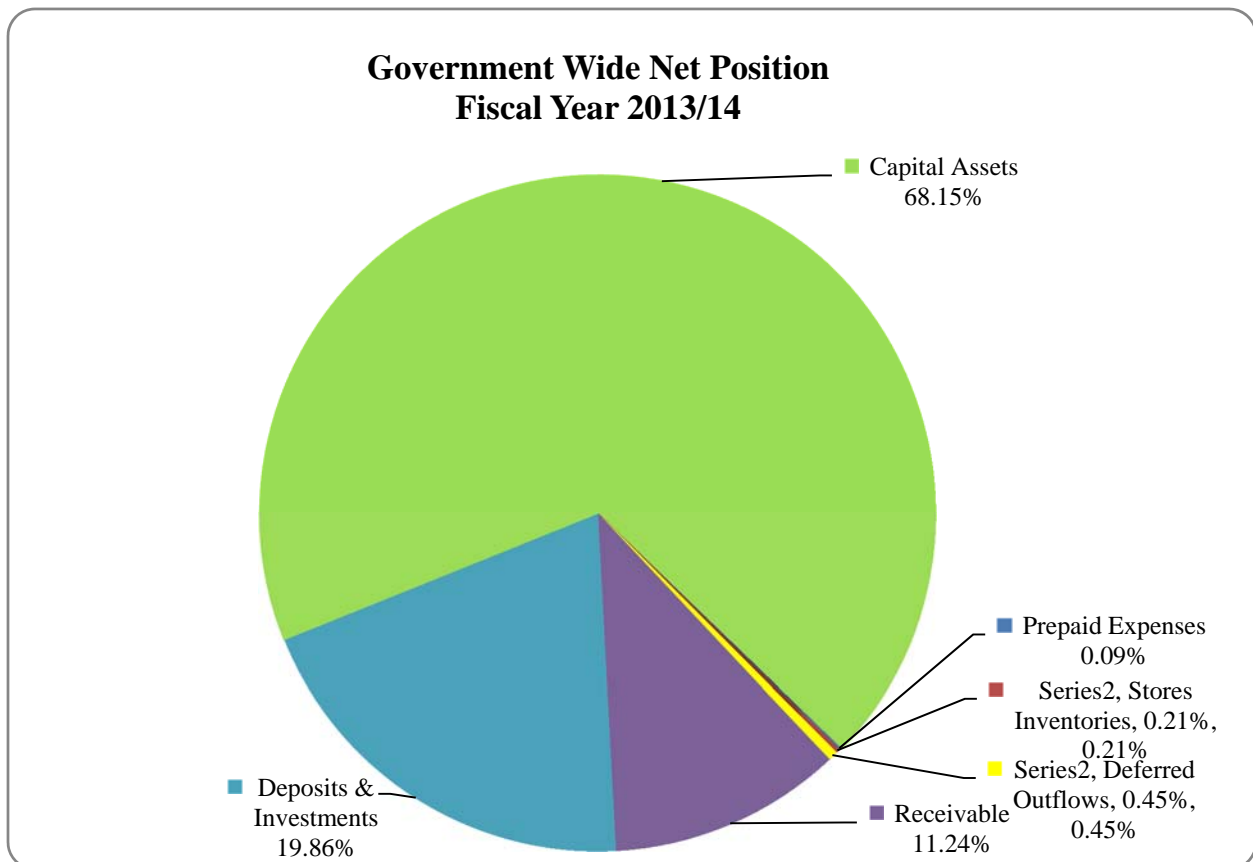
### Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Change
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$324,037,864	\$330,381,979	\$9,666,986	\$10,525,552	\$333,704,850	\$340,907,531	-2.11%
Capital assets	721,865,813	676,979,525	2,516,109	2,218,825	724,381,922	679,198,350	6.65%
Total Assets	\$1,045,903,677	\$1,007,361,504	\$12,183,095	\$12,744,377	\$1,058,086,772	\$1,020,105,881	3.72%
Deferred Outflows	4,766,957	5,173,166.00	-	-	4,766,957	5,173,166.00	-7.85%
Current liabilities	142,081,960	124,757,987	1,828,876	1,161,101	143,910,836	125,919,088	14.29%
Long-term liabilities	729,004,557	679,945,767	-	-	729,004,557	679,945,767	7.22%
Total Liabilities	\$871,086,517	\$804,703,754	\$1,828,876	\$1,161,101	\$872,915,393	\$805,864,855	8.32%
Net invested in capital assets	342,997,010	325,447,843	2,516,109	2,218,825	345,513,119	327,666,668	5.45%
Restricted	80,193,770	140,305,976	7,838,110	9,364,451	88,031,880	149,670,427	-41.18%
Unrestricted	(243,606,663)	(257,922,903)	-	-	(243,606,663)	(257,922,903)	-5.55%
Total Net Position	\$179,584,117	\$207,830,916	\$10,354,219	\$11,583,276	\$189,938,336	\$219,414,192	-13.43%



# Management Discussion and Analysis

## June 30, 2014

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### Government-wide Net Position

The assets of the District are classified as follows: cash, receivable, due from (to) other funds, prepaid expenses, stores inventory, and capital assets. Current and other assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of state revenue limit and property tax resources.

Capital assets are used in the operations of the District. These assets include land, land improvements, buildings, equipment and work-in-process.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, deferred revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2013/14 fiscal year. Long-term liabilities such as general obligation bonds, capitalized lease obligations, Quality Zone Academy Bonds (QZAB), supplemental retirement benefits, energy loans and compensated absences will be liquidated from resources that will become available after the 2013/14 fiscal year. In 2013/14 the final payment was made on the Quality Zone Academy Bonds.

The assets and deferred outflows of resources of the primary government activities exceed liabilities by \$180 million. Total net position of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$722 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 70,575 public school students represents 69% of the District's total assets. The table and chart above summarizes the District's government-wide net position.

The District's Business-type activity decreased net position by \$1.2 million. The Business-type activity accounts for 5% of the District's net position. Key elements that highlight the activities in 13/14 fiscal year are as follows:

- The Cafeteria Fund provided over 24,500 breakfasts and 53,900 lunches and 7,200 snacks a day during the fiscal year and 15,400,000 meals annually which is an increase of 32,400 meals from the prior year.
- Fresno Unified had an 85.5% student population qualify for free or reduced price meals. Meals are served at 104 locations, utilizing 520 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- The District supports 80 schools that qualify for provision 2 status due to the poverty level at these schools (an increase of one site from the prior year). In 2014/15, the District was approved for the Community Eligibility Provision which allows all Fresno Unified schools to serve breakfast and lunch at no charge to all students.

# Management Discussion and Analysis

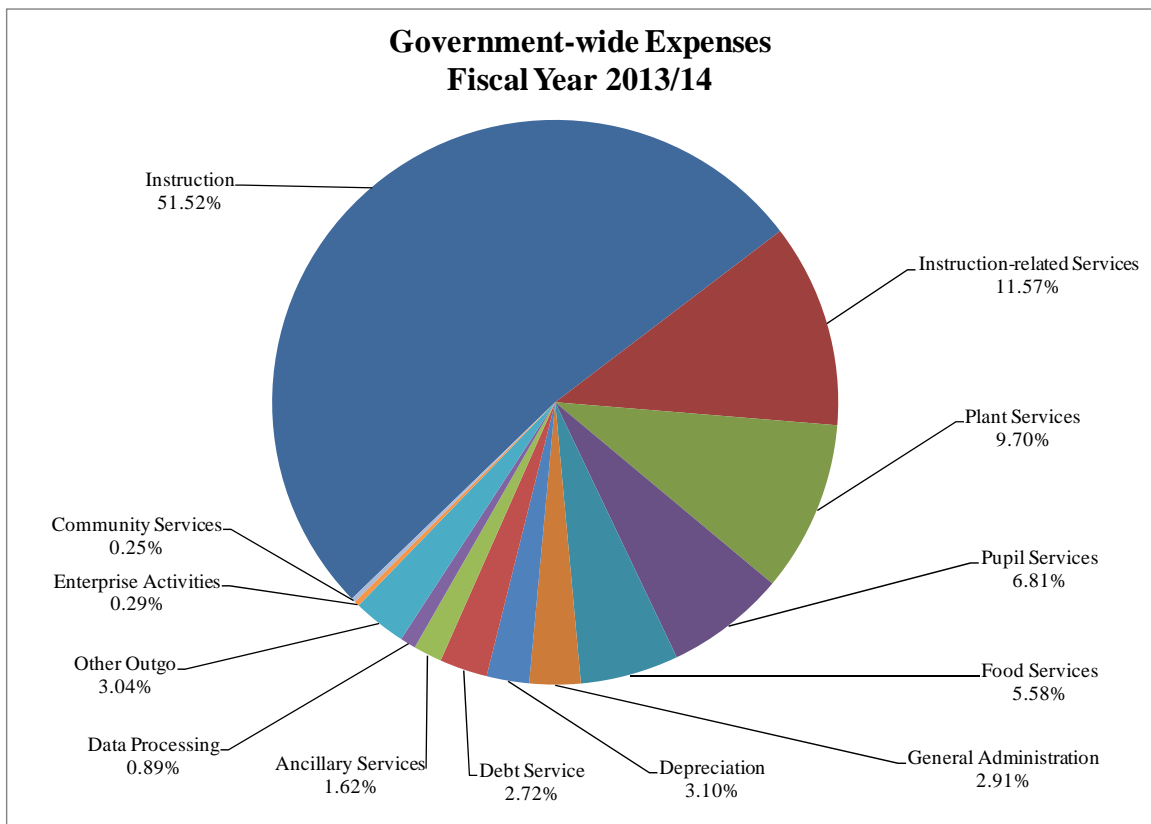
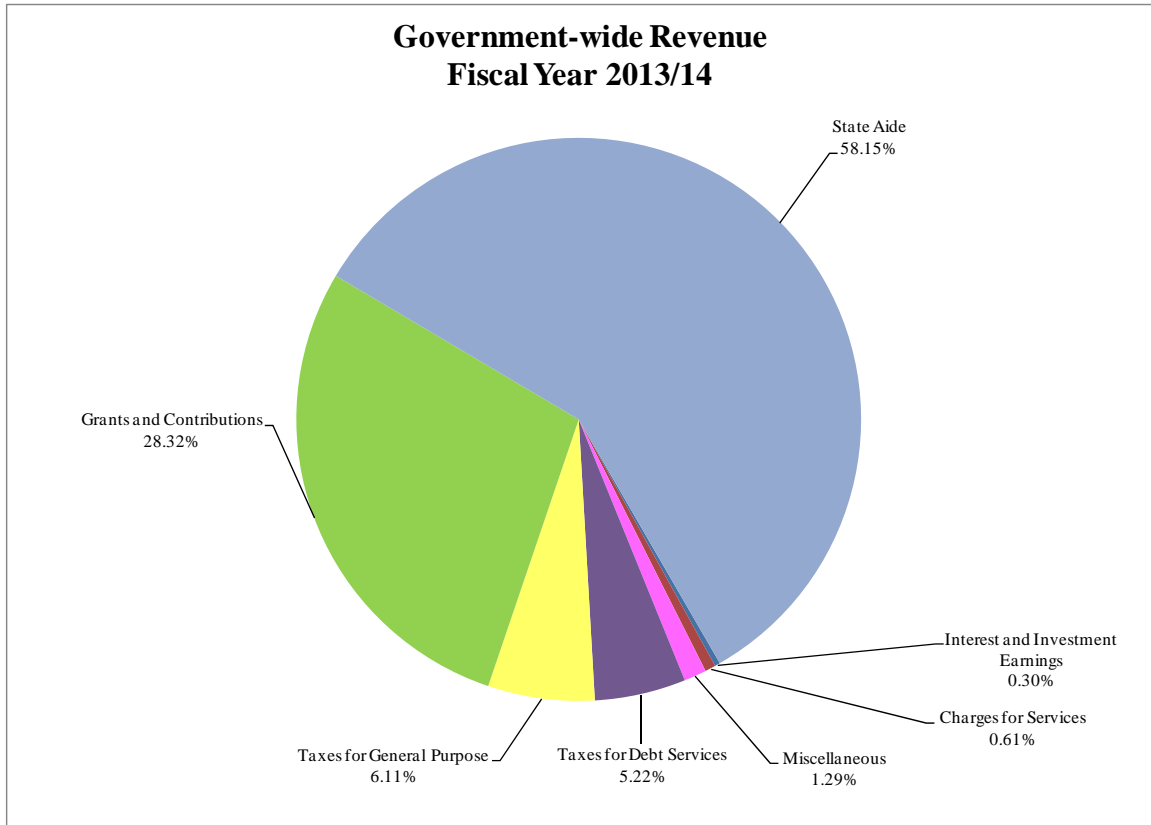
## June 30, 2014

### *Statement of Activities*

	Governmental Activities		Business-Type Activities		Total School District		Change
	2014	2013	2014	2013	2014	2013	
Program Revenues							
Charges for Services	\$3,759,655	\$2,699,677	\$814,119	\$953,731	\$4,573,774	\$3,653,408	25.19%
Operating Grants & Contributions	121,295,664	188,484,781	39,226,357	37,590,329	160,522,021	226,075,110	-29.00%
Capital Grants and Contributions	51,733,787	51,733,787	-	-	51,733,787	51,733,787	0.00%
General Revenues							
Taxes and Subventions	84,910,444	78,171,039	-	-	84,910,444	78,171,039	8.62%
Federal and State Aid, Unrestricted	435,881,010	381,865,993	-	-	435,881,010	381,865,993	14.15%
Interest and Investment Earnings	2,300,459	1,368,704	-	-	2,300,459	1,368,704	68.08%
Other General Revenues	8,652,054	15,306,345	1,000,000	-	9,652,054	15,306,345	-36.94%
<b>Total Revenues</b>	<b>\$708,533,073</b>	<b>\$719,630,326</b>	<b>\$41,040,476</b>	<b>\$38,544,060</b>	<b>\$749,573,549</b>	<b>\$758,174,386</b>	<b>-1.13%</b>
Expenses							
Instruction	\$401,335,072	\$402,167,140	-	-	\$401,335,072	\$402,167,140	-0.21%
Instructional Related	90,138,455	84,459,678	-	-	90,138,455	84,459,678	6.72%
Student Support Services	56,562,697	56,646,382	-	-	56,562,697	56,646,382	-0.15%
General Administrative	28,378,222	26,708,309	-	-	28,378,222	26,708,309	6.25%
Maintenance and Operations	74,750,736	74,754,757	-	-	74,750,736	74,754,757	-0.01%
Depreciation	24,170,313	19,644,905	-	-	24,170,313	19,644,905	23.04%
Other	61,444,377	32,436,661	-	-	61,444,377	32,436,661	89.43%
Enterprise Activities	-	-	42,269,533	41,182,367	42,269,533	41,182,367	2.64%
<b>Total Expenses</b>	<b>\$736,779,872</b>	<b>\$696,817,832</b>	<b>\$42,269,533</b>	<b>\$41,182,367</b>	<b>\$779,049,405</b>	<b>\$738,000,199</b>	<b>5.56%</b>
<b>Change in Net Position</b>	<b>\$(28,246,799)</b>	<b>\$ 22,812,494</b>	<b>\$(1,229,057)</b>	<b>\$(2,638,307)</b>	<b>\$(29,475,856)</b>	<b>\$ 20,174,187</b>	<b>-246.1%</b>

**Management Discussion and Analysis**  
**June 30, 2014**

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# Management Discussion and Analysis

## June 30, 2014

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### Governmental Activities

Capital Project Funds for the District provide the same type of information presented in the government-wide financial statements, but in greater detail. The following highlights significant activity in the District's capital project funds for fiscal year 2013/14.

- The County School Facilities Fund spent \$63.7 million on projects (Measure Q - \$43.0 million and Measure K - \$20.7 million).

- The County School Facilities Fund's major projects and activities included the following:

- Construction and Maintenance major projects and activities included the following totaling \$48.2 million

▪ Gaston Middle	\$ 23.5 million
▪ McLane High	\$ 3.9 million
▪ Roosevelt High	\$ 3.8 million
▪ Easterby Elementary	\$ 3.1 million
▪ Fresno High	\$ 3.0 million
▪ Centennial Elementary	\$ 2.3 million
▪ Bullard High	\$ 2.1 million
▪ Hoover High	\$ 1.6 million
▪ Baird Middle	\$ 1.3 million
▪ Aynesworth Elementary	\$ 1.1 million
▪ Clark Street High School	\$ 1.1 million
▪ Edison High	\$ 0.6 million
▪ Figarden Elementary	\$ 0.3 million
▪ 13 other sites totaling	\$ 0.5 million

- Modernization Projects included the following sites totaling \$15.5 million

▪ Sequoia Middle	\$ 7.0 million
▪ McLane High	\$ 3.1 million
▪ Hamilton Elementary	\$ 2.6 million
▪ Bullard High	\$ 0.8 million
▪ Fresno High	\$ 0.8 million
▪ Roosevelt High	\$ 0.5 million
▪ 32 other sites totaling	\$ 0.7 million

### Financial Analysis of the District's Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The General Fund is the chief operating fund of the District. Student enrollment decreased by 129 students during the fiscal year. The average daily funded attendance for fiscal year 2013/14 increased 48 ADA from the 2012/13 fiscal year. This increase amounts to approximately \$300,000.

The Bond Interest and Redemption Fund have adequate resources accumulated to make the principal and interest payments.



# Management Discussion and Analysis

## June 30, 2014

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### General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code Section 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2013/14, Fresno Unified spent 58% towards classroom compensation.

Over the course of the year, the Board of Education revised the annual operating budget three times. These budget amendments are authorized per Education Code Section 42601 and fall into the following categories:

- Changes made to recognize revenue anticipated/received from sources outside the District
- Changes made to recognize expenses

The District was required to present year-end projections at two different intervals (December and March).

The District as a general rule requires restricted budgets to stay within their State and/or Federal allocation. The major exceptions include Special Education, Restricted Routine Maintenance, Quality Education Investment Act and the Cafeteria Fund; for these programs, in addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources.

The adopted unrestricted ending balance for the 2013/14 budget was \$49 million. The actual ending balance was \$62 million. The difference of \$13 million is mainly due to the following:

- Some one-time expenses for 2013/14 were still in process and are included in the 2014/15 budget in the amount of \$8.7 million, with the high school facilities projects representing \$7.2 million of this amount
- Salary and benefits were \$2.5 million less than projected after final negotiations were completed
- Local revenues were higher than budgeted by \$2.5 million due mainly to proceeds from the warehouse fire settlement, higher interest income, and rebates for credit card payments

### Capital Assets and Long Term Liabilities

#### **Governmental Activities -**

<b>Capital Assets</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 55,465,233	\$ 55,295,021	\$ 170,212	0.31%
Work-in-process	92,250,196	104,287,595	(12,037,399)	-11.54%
Land improvements	61,668,738	57,571,062	4,097,676	7.12%
Buildings	792,916,291	719,307,709	73,608,582	10.23%
Equipment	27,728,657	29,821,204	(2,092,547)	-7.02%
Capital Assets, cost	1,030,029,115	966,282,591	63,746,524	6.60%
Accumulated Depreciation	(308,163,302)	(289,303,066)	-18,860,236	6.52%
Governmental Activities Capital Assets, net	<u>\$ 721,865,813</u>	<u>\$ 676,979,525</u>	<u>\$ 44,886,288</u>	<u>6.63%</u>

#### **Business-Type Activities - Capital Assets**

Equipment	7,192,848	6,432,610	760,238	11.82%
Accumulated Depreciation	(4,676,739)	(4,213,785)	(462,954)	10.99%
Business-Type Activities Capital Assets, net	<u>\$ 2,516,109</u>	<u>\$ 2,218,825</u>	<u>\$ 297,284</u>	<u>13.40%</u>

## Management Discussion and Analysis

### June 30, 2014

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The District's investment in capital assets for its governmental and business-type activities as of June 30, 2014 was \$724 million (net of accumulated depreciation).

Capital assets include land, land improvements, buildings, equipment, and work-in-progress. Capital assets continued to grow in the governmental activities as District-wide construction continued as a result of Measure "K" and Measure "Q" bond funding and Quality School Construction Bonds.

#### Summary of Long Term Liabilities

	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
General Obligation Bonds	\$ 410,528,665	\$ 376,243,009	\$ 34,285,656	9.11%
Accreted Interest	14,067,872	7,454,994	6,612,878	88.70%
PG&E Energy Loans	681,576	798,660	(117,084)	100.00%
QZABs	-	227,003	(227,003)	-100.00%
Unamortized Premium	4,060,499	3,678,005	382,494	10.40%
Other Postemployment Benefits	281,486,928	265,639,290	15,847,638	5.97%
Supplementary Retirement Benefits	15,553,586	23,330,378	(7,776,792)	-33.33%
Compensated Absences	2,625,431	2,574,428	51,003	1.98%
<b>Total Long-Term Liabilities</b>	<b>\$ 729,004,557</b>	<b>\$ 679,945,767</b>	<b>\$ 49,058,790</b>	<b>7.22%</b>

At June 30, 2014, the District had total bonded debt outstanding of \$411 million backed by the full faith and credit of the District. Additionally, the District has made the final long-term debt obligations for the Quality Zone Academy Bonds in 2013/14.

Total long-term debt for the District increased by \$49.1 million during the 2013/14 fiscal year due to the following four reasons: an increase in debt for the issuance of Measure Q, Series C of \$55 million; an increase of GASB 45 of \$15.8 million; a decrease in General Obligation Bond payments of \$13.9 million; and, a decrease in the Supplementary Retirement Benefit payments of \$7.8 million.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$55 million less than the maximum amount.

# Management Discussion and Analysis

## June 30, 2014

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### Economic Factors and Budgets and Rates for 2014/15

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions based upon the Governor's priorities, guidance provided by the Fresno County Office of Education, as well as local trends such as enrollment projections. The 2014/15 Proposed Budget includes recommendations that continue to balance the Board of Education's investment in educational programs for students, employee compensation, and fiscal responsibility through a healthy financial reserve.

On June 4, 2014, the Board approved an Adopted Budget for fiscal year 2014/15. The Adopted Budget included a 4.1% Unrestricted Reserve for Economic Uncertainties.

- The major State assumptions are:
  - The Local Control Funding Formula (LCFF) has replaced the Revenue Limit. The LCFF estimates increase funding of 8.4% with a 28.05% funding gap which equates to \$62.4 million
  - Statutory cost-of-living adjustment of 0.85%
  - State paying down cash deferrals to improve the cash position
  - Increase in State Teachers Retirement employer cost by 1.25%
  - Increase in Public Employee Retirement by 0.329%
  - Mandate Block Grant funds mandated activities includes \$2.3 million
  - Educational Protection Account accounts for 18% of the Local Control Funding Formula
  
- The Local assumptions are as follows:
- The District is projected to be funded on the current year ADA.
  - Aligned Instructional Systems at the school site level is supported by categorical funds of \$27.9 million
    - The Elementary School Aligned Instructional System: Instructional coaches, lead teachers for Accountable Communities, noontime assistant support, support for magnet programs, administrative support
    - The Middle School Aligned Instructional System: Transition teachers, lead teachers, counselors, instructional coaches, categorical learning coaches, ELA/Math intervention teachers, support for magnet programs, campus culture personnel
    - The High School Aligned Instructional System: Counselors, instructional coaches, lead teachers, ELA/Math intervention teachers, corrective reading/intervention, support for magnet programs, activity and athletic directors, administrative support, sophomore online learning, police officers
  - Teaching positions for Grades Kindergarten to Third grade include decreasing the class size to attain a school average of 24 students per class totaling \$5.7 million
  - School site funds include an additional \$2 million for site allocations and \$700,000 for after school activities and athletics
  - Early Learning
    - Pre-K Classrooms continues to support 58 elementary school sites
    - Transitional Kindergarten continues to support 62 elementary sites. Starting in 2014/15 students must be five years old at the beginning of September to enter Kindergarten totaling \$1.7 million

## Management Discussion and Analysis

### June 30, 2014

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- Contractual Kindergarten continues to support 63 sites for an addition hour a day for students
- Allocated resources supported by the general fund
  - Thirty-eight middle school teachers to support the redesign of the instructional program to offer every student personalized instructions utilizing funds allocated in September 2012 totaling \$4.4 million
  - Thirty-one high school teachers and eight counselors to support the redesign of the instructional program to keep students engaged in career-themed pathways, as well as support graduate college and career-ready students totaling \$3.0 million
  - Career Readiness Program of \$5.0 million
  - Community Day School increases the capacity and allocates an additional 19.5 teachers totaling \$2.0 million
  - Special Education increases support for additional autism classrooms, three school psychologists for Gaston Middle School, charter schools and focus/priority schools, and five manager positions to support the realignment for special education programs totaling \$900,000
  - Adult Education increases the ongoing allocation to support the loss of the civic learning efforts by \$200,000 for a total of \$3.7 million
  - Prevention and Intervention increase support of school-sited counselors and child welfare assistant positions totaling \$2.5 million
  - Restorative Justice increases to expand training and implementation in the McLane region and beginning in the Edison region totaling \$1.0 million
  - Equity and Access continues support to ensure all students are on track to graduate totaling \$1.0 million
  - Community Engagement increases support to expand parent workshops totaling \$600,000
  - Professional Learning increases to support teacher and leader development totaling \$200,000
  - Regionalization continues to support redesigning regions to create and sustain high performing Accountable Communities totaling \$500,000
  - Curriculum and Instruction includes an allocation of two additional managers for Math and Science curriculum development totaling \$300,000
  - Custodial and Maintenance increases staff support of 40 custodians, three custodian managers, four grounds maintenance positions and one plumber totaling \$3.7 million
  - Security increases support of three additional Campus Safety positions totaling \$100,000
  - Transportation increases staff support four additional positions to support additional routes for Phoenix and one additional bus trainer as well as support for First Student services totaling \$300,000
  - Technology increase support of two technology positions totaling \$200,000
  - Classified substitute salary increases to be paid at the beginning step of the position being filled to be phased on over 2 years totaling \$700,000
  - Student mentors increases support totaling \$300,000

## Management Discussion and Analysis

### June 30, 2014

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- Utilize one-time reserves of \$5.5 million
  - Education Programs: Transition Fresno High from the QEIA program
  - Operational Support: Security enhancements at high schools, security network improvements, implementation of electronic timesheets, implement technology solutions for Human Resources processes, equipment for Transportation and the District's match for an additional fueling station
- Salary Proposal includes a proposed 3.5% salary increase, reducing class size to 24 in kindergarten through third grade, eliminating combination class rooms in grades five and six, increasing the instructional time by 30 minutes at 20 schools, providing instructional aide support in kindergarten, funding teacher professional development and increase to the districts contribution totaling \$39.5 million
- Benefit Rates
  - Increase the Health rate in accordance with the current proposed employee bargaining agreements by \$500 per employee
  - Workers' Compensation increases to fund the reserve level at 68% and continue the level of funding to increase the reserve to 70% by 2015/16
  - The Liability rate will remain at the same level as in 2013/14
- Subsequent Events to the Adopted 2014/15 budget
  - The final employee negotiations settled for 2014/15 for all union groups 2.7% salary increase for 2013/14 and 3.5% for 2014/15. In addition, all extra pay extra service stipends doubled with the exception of elementary which tripled amount. The final change yielded a change from the adopted budget increased the health rate per employee from a \$500 increase to \$1,025 increase per person
  - The final state adopted budget included a decrease to the employee rate in 2014-15 for the State Teachers Retirement System (STRS) than projected in the May revision. This resulted in a current year savings of \$1.8 million, however future years was increased. The overall increase remains at \$19.2 million in full implementation.

#### Post-Employment Medical Benefits

The District provides post-employment medical benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees at least 57½ years old. For employees hired on or after July 1, 2005, the District provides five years of post-employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees at least 60 years old. GASB 43 and GASB 45 are governmental accounting standards that direct how state and local governments will account for these benefits.

The District's most recent actuarial study calculated the total gross liability for post-employment benefits to be \$820 million in March 2014. The previous actuarial completed in November 2013 totaled \$956 million. The District established an irrevocable trust and contributed \$21 million in 2013/14 from the Health Fund. At the end of 2013/14, the Trust Fund balance was \$23 million. In 2014/15, the Joint Management Board and District has planned \$3.5 million to be transferred to the trust fund.

#### End Fund Balance Classification

Governmental Accounting Standards 54 (GASB 54) year-end financial statements reclassify the categories that describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported. This does not change the amount of the fund balance.

# **Management Discussion and Analysis**

## **June 30, 2014**

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### *Contacting the District's Financial Management*

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the District's Office of Administrative Services at (559) 457-6226.

## **BASIC FINANCIAL STATEMENTS**

**FRESNO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2014**

	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>	<b><u>Total</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 202,682,408	\$ 8,396,330	\$ 211,078,738
Receivables	112,975,043	6,494,984	119,470,027
Due from (to) other funds (Note 3)	5,933,453	(5,933,453)	-
Prepaid expenses	897,787	-	897,787
Stores inventory	1,549,173	709,125	2,258,298
Non-depreciable capital assets (Note 4)	147,715,429	-	147,715,429
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>574,150,384</u>	<u>2,516,109</u>	<u>576,666,493</u>
Total assets	<u>1,045,903,677</u>	<u>12,183,095</u>	<u>1,058,086,772</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred loss from refunding of debt	<u>4,766,957</u>	<u>-</u>	<u>4,766,957</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	85,042,575	1,828,876	86,871,451
Unearned revenue	4,121,211	-	4,121,211
Self-insurance claims liability (Note 5)	52,918,174	-	52,918,174
Long-term liabilities (Note 6):			
Due within one year	31,613,299	-	31,613,299
Due after one year	<u>697,391,258</u>	<u>-</u>	<u>697,391,258</u>
Total liabilities	<u>871,086,517</u>	<u>1,828,876</u>	<u>872,915,393</u>
<b>NET POSITION</b>			
Net investment in capital assets	342,997,010	2,516,109	345,513,119
Restricted (Note 7)	80,193,770	7,838,110	88,031,880
Unrestricted	<u>(243,606,663)</u>	<u>-</u>	<u>(243,606,663)</u>
Total net position	<u>\$ 179,584,117</u>	<u>\$ 10,354,219</u>	<u>\$ 189,938,336</u>

See accompanying notes to financial statements.



FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 401,335,072	\$ 2,266,855	\$ 94,666,695	\$ 14,963,812	\$ (289,437,710)	\$ -	\$ (289,437,710)
Instruction-related services:							
Supervision of instruction	41,848,046	628,082	28,803,522	-	(12,416,442)	-	(12,416,442)
Instructional library, media and technology	9,128,920	2,153	344,782	-	(8,781,985)	-	(8,781,985)
School site administration	39,161,489	56,009	647,443	-	(38,458,037)	-	(38,458,037)
Pupil services:							
Home-to-school transportation	15,530,804	-	2,263,445	-	(13,267,359)	-	(13,267,359)
Food services	3,544,294	9	1,785,679	-	(1,758,606)	-	(1,758,606)
All other pupil services	37,487,599	385,494	16,802,669	-	(20,299,436)	-	(20,299,436)
General administration:							
Data processing	6,971,127	316	196,928	-	(6,773,883)	-	(6,773,883)
All other general administration	21,407,095	358,435	6,381,837	-	(14,666,823)	-	(14,666,823)
Plant services	74,750,736	54,111	640,182	-	(74,056,443)	-	(74,056,443)
Ancillary services	12,657,564	506	4,541,632	-	(8,115,426)	-	(8,115,426)
Community services	1,885,384	3,294	835,202	-	(1,046,888)	-	(1,046,888)
Enterprise activities	2,076,748	-	11,581	-	(2,065,167)	-	(2,065,167)
Interest on long-term liabilities	21,160,807	-	-	-	(21,160,807)	-	(21,160,807)
Other outgo	23,663,874	4,391	144,042	-	(23,515,441)	-	(23,515,441)
Depreciation (unallocated) (Note 4)	24,170,313	-	-	-	(24,170,313)	-	(24,170,313)
Business-type activities:							
Food services	39,486,109	769,428	37,072,944	-	-	(1,643,737)	(1,643,737)
All other general administration	1,284,321	24,736	1,191,858	-	-	(67,727)	(67,727)
Plant services	851,058	16,392	789,787	-	-	(44,879)	(44,879)
Enterprise services	185,091	3,563	171,768	-	-	(9,760)	(9,760)
Depreciation (Note 4)	462,954	-	-	-	-	(462,954)	(462,954)
Total governmental and business-type activities	<u>\$ 779,049,405</u>	<u>\$ 4,573,774</u>	<u>\$ 197,291,996</u>	<u>\$ 14,963,812</u>	<u>(559,990,766)</u>	<u>(2,229,057)</u>	<u>(562,219,823)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					45,803,048	-	45,803,048
Taxes levied for debt service					39,107,396	-	39,107,396
Taxes levied for other specific purposes					435,881,010	-	435,881,010
Federal and state aid not restricted to specific purposes					187,340	-	187,340
Interest and investment earnings					2,300,459	-	2,300,459
Interagency transfers					661,149	-	661,149
Miscellaneous					8,803,565	-	8,803,565
Internal transfers					(1,000,000)	1,000,000	-
Total general revenues					<u>531,743,967</u>	<u>1,000,000</u>	<u>532,743,967</u>
Change in net position					(28,246,799)	(1,229,057)	(29,475,856)
Net position, July 1, 2013					<u>207,830,916</u>	<u>11,583,276</u>	<u>219,414,192</u>
Net position, June 30, 2014					<u>\$ 179,584,117</u>	<u>\$ 10,354,219</u>	<u>\$ 189,938,336</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Funds</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 24,206,535	\$ 54,661,560	\$ 13,841,120	\$ 29,877,316	\$ 14,927,388	\$ 137,513,919
Cash in revolving fund	90,106	-	-	-	-	90,106
Cash on hand and in banks	1,190,771	-	-	-	2,951	1,193,722
Receivables	110,426,042	200,562	27,619	77,319	1,736,651	112,468,193
Prepaid expenditures	135,185	-	-	-	-	135,185
Due from other funds	12,827,084	1,476	18,192,148	-	1,012,552	32,033,260
Stores inventory	<u>1,538,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,820</u>	<u>1,549,173</u>
Total assets	<u>\$ 150,414,076</u>	<u>\$ 54,863,598</u>	<u>\$ 32,060,887</u>	<u>\$ 29,954,635</u>	<u>\$ 17,690,362</u>	<u>\$ 284,983,558</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 64,562,574	\$ -	\$ 5,896,025	\$ -	\$ 1,969,611	\$ 72,428,210
Unearned revenue	4,092,161	-	-	-	29,050	4,121,211
Due to other funds	<u>11,259,475</u>	<u>9,160,746</u>	<u>9,756,064</u>	<u>-</u>	<u>2,588,189</u>	<u>32,764,474</u>
Total liabilities	<u>79,914,210</u>	<u>9,160,746</u>	<u>15,652,089</u>	<u>-</u>	<u>4,586,850</u>	<u>109,313,895</u>
Fund balances:						
Nonspendable	1,763,644	-	-	-	10,820	1,774,464
Restricted	8,329,833	45,702,852	16,408,798	29,954,635	13,092,692	113,488,810
Assigned	8,687,609	-	-	-	-	8,687,609
Unassigned	<u>51,718,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,718,780</u>
Total fund balances	<u>70,499,866</u>	<u>45,702,852</u>	<u>16,408,798</u>	<u>29,954,635</u>	<u>13,103,512</u>	<u>175,669,663</u>
Total liabilities and fund balances	<u>\$ 150,414,076</u>	<u>\$ 54,863,598</u>	<u>\$ 32,060,887</u>	<u>\$ 29,954,635</u>	<u>\$ 17,690,362</u>	<u>\$ 284,983,558</u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**June 30, 2014**

Total fund balances - Governmental Funds		\$ 175,669,663
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,030,029,115 and the accumulated depreciation is \$308,163,302 (Note 4).		
		721,865,813
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2014 consisted of (Note 6):		
General Obligation Bonds	\$ (410,528,665)	
Unamortized premiums	(4,060,499)	
Accreted interest	(14,067,872)	
PG&E energy savings loans	(681,576)	
Public Agency Retirement System (PARS)	(15,553,586)	
Other postemployment benefits (Note 9)	(281,486,928)	
Compensated absences	<u>(2,625,431)</u>	
		(729,004,557)
Internal service funds are included in the government-wide financial statements.		
		12,396,992
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		
		4,766,957
Unmatured interest on long-term liabilities is recognized in the period incurred.		
		<u>(6,110,751)</u>
Total net position - governmental activities		<u>\$ 179,584,117</u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 426,157,530	\$ -	\$ -	\$ -	\$ 1,571,588	\$ 427,729,118
Local sources	<u>43,478,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,208</u>	<u>43,638,005</u>
Total LCFF	<u>469,636,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730,796</u>	<u>471,367,123</u>
Federal sources	73,697,541	-	-	-	2,461,043	76,158,584
Other state sources	79,433,152	-	14,963,812	497,241	7,425,650	102,319,855
Other local sources	<u>17,676,065</u>	<u>937,475</u>	<u>207,935</u>	<u>38,859,679</u>	<u>2,006,363</u>	<u>59,687,517</u>
Total revenues	<u>640,443,085</u>	<u>937,475</u>	<u>15,171,747</u>	<u>39,356,920</u>	<u>13,623,852</u>	<u>709,533,079</u>
Expenditures:						
Certificated salaries	304,745,570	-	-	-	6,666,928	311,412,498
Classified salaries	93,204,417	-	693,002	-	2,948,783	96,846,202
Employee benefits	144,970,824	-	274,856	-	3,489,111	148,734,791
Books and supplies	37,496,088	-	208,996	-	1,438,671	39,143,755
Contract services and operating expenditures	60,485,698	535,033	1,876,900	-	4,556,215	67,453,846
Capital outlay	2,817,374	-	60,675,996	-	324,407	63,817,777
Other outgo	1,876,664	-	-	-	-	1,876,664
Debt service:						
Principal retirement	344,087	-	-	20,711,884	-	21,055,971
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,220,919</u>	<u>-</u>	<u>14,220,919</u>
Total expenditures	<u>645,940,722</u>	<u>535,033</u>	<u>63,729,750</u>	<u>34,932,803</u>	<u>19,424,115</u>	<u>764,562,423</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,497,637)</u>	<u>402,442</u>	<u>(48,558,003)</u>	<u>4,424,117</u>	<u>(5,800,263)</u>	<u>(55,029,344)</u>
Other financing sources (uses):						
Operating transfers in	1,963,472	-	44,681,295	-	6,021,467	52,666,234
Operating transfers out	(4,636,610)	(47,066,152)	-	-	(679,151)	(52,381,913)
Proceeds from issuance general obligation bonds	-	54,997,540	-	-	-	54,997,540
Other financing sources	<u>-</u>	<u>499,033</u>	<u>-</u>	<u>99,523</u>	<u>-</u>	<u>598,556</u>
Total other financing sources (uses)	<u>(2,673,138)</u>	<u>8,430,421</u>	<u>44,681,295</u>	<u>99,523</u>	<u>5,342,316</u>	<u>55,880,417</u>
Net change in fund balances	(8,170,775)	8,832,863	(3,876,708)	4,523,640	(457,947)	851,073
Fund balances, July 1, 2013	<u>78,670,641</u>	<u>36,869,989</u>	<u>20,285,506</u>	<u>25,430,995</u>	<u>13,561,459</u>	<u>174,818,590</u>
Fund balances, June 30, 2014	<u>\$ 70,499,866</u>	<u>\$ 45,702,852</u>	<u>\$ 16,408,798</u>	<u>\$ 29,954,635</u>	<u>\$ 13,103,512</u>	<u>\$ 175,669,663</u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

Net change in fund balances - Total Governmental Funds \$ 851,073

Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 69,056,601
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(24,170,313)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6).	(54,997,540)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	21,055,971
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	(382,494)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(6,612,878)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(480,949)
Activities of the internal service fund are reported with governmental activities.	(24,038,212)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	(406,209)
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 9).	(15,847,638)

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES

(Continued)

For the Year Ended June 30, 2014

In governmental funds, public agency retirement system incentives are recognized when employers contributions are made. In the government-wide statements, public agency retirement system incentives are measured on the accrual basis (Note 6).	\$ 7,776,792
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(51,003)</u> \$ <u>(29,097,872)</u>
Change in net position of governmental activities	\$ <u><u>(28,246,799)</u></u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES**

**June 30, 2014**

**ASSETS**

Current assets:

Cash and investments:

Cash in County Treasury	\$ 61,884,661
Cash on hand and in banks	2,000,000
Receivables	506,850
Due from other funds	6,777,099
Prepaid expenditures	<u>762,602</u>

Total current assets 71,931,212

**LIABILITIES**

Current liabilities:

Accounts payable	6,503,614
Due to other funds	112,432
Self insurance claims liability	<u>52,918,174</u>

Total current liabilities 59,534,220

**NET POSITION**

Restricted \$ 12,396,992

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN  
NET POSITION - PROPRIETARY FUND

SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Operating revenues:	
Self-insurance premiums	<u>\$ 127,302,487</u>
Operating expenses:	
Certificated salaries	
Classified salaries	1,155,187
Employee benefits	500,462
Books and supplies	100,451
Contract services	<u>129,202,035</u>
Total operating expenses	<u>130,958,135</u>
Operating loss	<u>(3,655,648)</u>
Non-operating revenue (expense):	
Interest income	869,613
OPEB expense	<u>(21,252,177)</u>
Total non-operating expense	<u>(20,382,564)</u>
Change in net position	(24,038,212)
Net position, July 1, 2013	<u>36,435,204</u>
Net position, June 30, 2014	<u><u>\$ 12,396,992</u></u>

See accompanying notes to financial statements.



**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES**

**For the Year Ended June 30, 2014**

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 129,779,319
Cash received from user charges	5,325,327
Cash paid for employee benefits	(126,464,355)
Cash paid for salaries	(1,655,649)
Cash paid for other expenses	<u>(100,451)</u>
Net cash provided by operating activities	<u>6,884,191</u>
Cash flows from noncapital financing activities:	
OPEB expense	<u>(21,252,177)</u>
Cash flows from investing activities:	
Interest income received	<u>843,286</u>
Decrease in cash and investments	(13,524,700)
Cash and investments, July 1, 2013	<u>77,409,361</u>
Cash and investments, June 30, 2014	<u>\$ 63,884,661</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(3,655,648)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease (increase) in:	
Receivables	169,812
Amount due from other funds	7,632,347
Prepaid expenditures	(23,300)
Increase (decrease) in:	
Accounts payable	1,211,048
Amount due to other funds	(173,377)
Unpaid claims and claim adjustment expenses	<u>1,723,309</u>
Total adjustments	<u>10,539,839</u>
Net cash provided by operating activities	<u>\$ 6,884,191</u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES**

**June 30, 2014**

**ASSETS**

Current assets:

Cash and investments:

Cash in County Treasury	\$ 627,263
Cash on hand and in banks	7,769,067
Receivables	6,494,984
Due from other funds	1,420,277
Stores inventory	<u>709,125</u>

Total current assets	<u>17,020,716</u>
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Capital assets

Less accumulated depreciation	<u>(4,676,739)</u>
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Total assets	<u>19,536,825</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	1,828,876
Due to other funds	<u>7,353,730</u>

Total current liabilities	<u>9,182,606</u>
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**NET POSITION**

Net investment in capital assets	2,516,109
Restricted	<u>7,838,110</u>

Total net position	<u><u>\$ 10,354,219</u></u>
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See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN**  
**NET POSITION - PROPRIETARY FUND**  
**CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2014**

Operating revenues:	
Federal revenues	\$ 35,666,950
Other state revenues	2,725,098
Other local revenues	<u>1,292,746</u>
Total operating revenues	<u>39,684,794</u>
Operating expenses:	
Classified salaries	11,146,488
Employee benefits	7,032,102
Books and supplies	19,525,912
Contract services	2,817,756
Depreciation	<u>462,954</u>
Total operating expenses	<u>40,985,212</u>
Operating loss	<u>(1,300,418)</u>
Non-operating revenue (expense):	
Interest income	355,682
Transfers in	1,000,000
Transfers out	<u>(1,284,321)</u>
Total non-operating revenue	<u>71,361</u>
Change in net position	(1,229,057)
Total net position, July 1, 2013	<u>11,583,276</u>
Total net position, June 30, 2014	<u><u>\$ 10,354,219</u></u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES**

**For the Year Ended June 30, 2014**

Cash flows from operating activities:	
Cash received from food sales	\$ 1,292,746
Cash received from Child Nutrition Programs	37,334,003
Cash paid for operating expenses	<u>(39,187,615)</u>
Net cash used in operating activities	<u>(560,866)</u>
Cash flows from capital and financing activities:	
Purchase of capital assets	(760,238)
Net transfers out	<u>(284,321)</u>
Net cash used in capital and financing activities	<u>(1,044,559)</u>
Cash flows from investing activities:	
Interest income received	<u>352,064</u>
Decrease in cash and investments	(1,253,361)
Cash and investments, July 1, 2013	<u>9,649,691</u>
Cash and investments, June 30, 2014	<u>\$ 8,396,330</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(1,300,418)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	462,954
Decrease (increase) in:	
Receivables	19,895
Amount due from other funds	(1,077,940)
Inventory	46,516
Increase in:	
Accounts payable	667,775
Amount due to other funds	<u>620,352</u>
Total adjustments	<u>739,552</u>
Net cash used in operating activities	<u>\$ (560,866)</u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**TRUST AND AGENCY FUNDS**

**June 30, 2014**

	<u>Trust Fund</u>	<u>Agency Fund</u>
	<b>Retiree Benefits</b>	<b>Student Body</b>
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ -	\$ 79,540
Cash on hand and in bank	-	1,818,978
Investments held by Fiscal Agent - CalPERS	22,930,536	-
Stores inventory	<u>-</u>	<u>23,242</u>
Total assets	<u>22,930,536</u>	<u>1,921,760</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>1,921,760</u>
<b>NET POSITION</b>		
Restricted (Note 6)	<u><u>\$ 22,930,536</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - TRUST FUND**  
**RETIREE BENEFIT FUND**

**June 30, 2014**

Additions:	
Contributions - OPEB Trust	\$ 21,252,177
Other local sources	<u>1,688,793</u>
Total additions	<u>22,940,970</u>
Deductions:	
Services and other operating expenses	<u>(10,434)</u>
Change in net position	22,930,536
<b>NET POSITION</b>	
Net position, July 1, 2013	<u>-</u>
Net position, July 30, 2014	<u><u>\$ 22,930,536</u></u>

See accompanying notes to financial statements.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the Fresno Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities.

#### Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

#### Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Cod. Sec. N50.118-.121.

*Program revenues:* Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

*Allocation of indirect expenses:* The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense and interest on general long-term liabilities are considered indirect expenses and are reported separately on the Statement of Activities.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Building Fund:

The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

3 - County School Facilities Fund:

The County School Facilities Fund is used to account for resources used for the acquisition of capital facilities and equipment by the District.

4 - Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

B - Other Funds

1 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Charter School, Adult Education, Child Development, and Deferred Maintenance Funds.



**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

**B - Other Funds (Continued)**

**2 - Capital Project Funds:**

The Capital Project Funds are used to account for resources used for the acquisition of capital facilities by the District. This includes the Capital Facilities and Special Reserve for Capital Outlay Funds.

**3 - Tax Override Fund:**

The Tax Override Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

**4 - Self Insurance Fund:**

The The Self-Insurance Fund is an internal service fund which is used to account for the District's property and liability claims, workers' compensation claims, and health benefits to current and retired employees, including medical, vision, dental and long-term sick leave. Included in the Self-Insurance Fund's nonoperating activities are contributions to fund the irrevocable OPEB trust fund and interest income.

**5 - Cafeteria Fund:**

The Cafeteria Fund is an enterprise fund which is used to account for the District's food services.

**6 - Retiree Benefit Fund:**

The Retiree Benefit Fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' post employment benefit (OPEB) trust fund, or both.

**7 - Student Body Fund:**

The The Student Body Fund is an Agency Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

#### Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

#### Receivables

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

#### Stores Inventory

Stores inventory in the General, Adult Education and Cafeteria Funds consists mainly of consumable supplies and instructional materials held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

#### Capital Assets

Capital assets purchased or acquired, with an original cost of \$15,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled \$406,209.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$2,625,431 is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions for special revenues and capital projects represent the portions of net position restricted for special revenues and capital projects, respectively. The restriction for debt service represents the amount the District plans to expend in the ensuing fiscal year on debt service. The restriction for self-insurance represents the amount restricted to pay self-insured claims. The restriction for food service operations represents the portion of net position restricted for food service operations. The restriction for retiree benefits represents net position restricted for payment of retiree benefits. It is the District's policy to use portions of restricted net position first when allowable expenditures are incurred.

#### Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

#### A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

#### B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary fund statements.

#### C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2014, the District had no committed fund balances.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance Classifications (Continued)

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances. At June 30, 2014, the District had assigned a portion of the fund balance for the General Fund.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2014, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Fresno bills and collects taxes for the District. Tax revenues are recognized by the District when received.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Encumbrances

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

#### Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

#### New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact in the District.

In June 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

**2. CASH AND INVESTMENTS**

District cash and investments at June 30, 2014 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities	
	Governmental Funds	Proprietary Fund	Total		Fiduciary Activities	Trust
Pooled Funds:						
Cash in County Treasury Investment held by Fiscal Agent - CalPERS	\$ 137,513,919	\$ 61,884,661	\$ 199,398,580	\$ 627,263	\$ 79,540	\$ -
	-	-	-	-	-	<u>22,930,536</u>
Total pooled funds	<u>137,513,919</u>	<u>61,884,661</u>	<u>199,398,580</u>	<u>627,263</u>	<u>79,540</u>	<u>22,930,536</u>
Deposits:						
Cash on hand and in banks	1,193,722	2,000,000	3,193,722	7,769,067	1,818,978	-
Cash in revolving fund	<u>90,106</u>	-	<u>90,106</u>	-	-	-
Total deposits	<u>1,283,828</u>	<u>2,000,000</u>	<u>3,283,828</u>	<u>7,769,067</u>	<u>1,818,978</u>	-
Total cash and investments	<u>\$ 138,797,747</u>	<u>\$ 63,884,661</u>	<u>\$ 202,682,408</u>	<u>\$ 8,396,330</u>	<u>\$ 1,898,518</u>	<u>\$ 22,930,536</u>

Pooled Funds

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

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.



**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts was \$12,848,673 and the bank balances were \$11,744,039. The total uninsured bank balance at June 30, 2014 was \$10,529,202.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2014, the carrying amount of the District's accounts was \$23,200 and the bank balance was \$22,417, all of which was insured.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

At June 30, 2014, the District's OPEB Trust (the "Trust") investments were held by California Public Employees Retirement System (CalPERS) CERBT Strategy 2 investment portfolio, which is pooled with other agencies, therefore there are no significant credit risks related to the investments held.

Interest Rate Risk

The District and the Trust does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2014, the District and the Trust had no significant interest rate risk related to investments held.

Concentration of Credit Risk

The District and Trust do not place limits on the amount they may invest in any one issuer. At June 30, 2014, the District and Trust had no concentration of credit risk.

**3. INTERFUND TRANSACTIONS**

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for the Cafeteria Fund activity which is recorded as income and expenditures of the Cafeteria Fund and the General Fund, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. INTERFUND TRANSACTIONS (Continued)**

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2014 were as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 12,827,084	\$ 11,259,475
Building	1,476	9,160,746
County School Facilities	18,192,148	9,756,064
Non-Major Funds:		
Adult Education	311,127	986,031
Child Development	64	1,518,209
Deferred Maintenance	410,025	2,666
Capital Facilities	-	66,831
Special Reserve for Capital Outlay Projects	291,336	14,430
Tax Override	-	22
Proprietary Fund:		
Self-Insurance	6,777,099	112,432
<u>Business-Type Activities</u>		
Cafeteria Fund	<u>1,420,277</u>	<u>7,353,730</u>
Totals	<u>\$ 40,230,636</u>	<u>\$ 40,230,636</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2013-2014 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 44,681,295
Transfer from the General Fund to the Adult Education Fund to support Adult Education as flexibility has been provided by the State.	3,633,115
Transfer from the Building Fund to the Deferred Maintenance Fund for eligible projects.	2,384,857
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,284,321
Transfer from the General Fund to the Cafeteria Fund to support operational expenses.	1,000,000
Transfer from the Charter Schools Fund to General Fund to close Sunset Charter and reestablish as a District elementary school site.	374,243
Transfer from the Child Development Fund to the General Fund for indirect costs.	265,309
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	34,894
Transfer from the Adult Education Fund to the General Fund for indirect costs.	4,705
Transfer from the General Fund to Tax Override Fund for tax adjustments.	<u>3,495</u>
	<u>\$ 53,666,234</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4. CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Transfers and Additions	Transfers and Deletions	Balance June 30, 2014
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 55,295,021	\$ 170,212	\$ -	\$ 55,465,233
Work-in-process	104,287,595	68,274,399	(80,311,798)	92,250,196
Depreciable:				
Land improvements	57,571,062	4,097,676	-	61,668,738
Buildings	719,307,709	76,043,909	(2,435,327)	792,916,291
Equipment	<u>29,821,204</u>	<u>782,203</u>	<u>(2,874,750)</u>	<u>27,728,657</u>
Totals, at cost	<u>966,282,591</u>	<u>149,368,399</u>	<u>(85,621,875)</u>	<u>1,030,029,115</u>
Less accumulated depreciation:				
Land improvements	(25,592,146)	(2,681,844)	-	(28,273,990)
Buildings	(243,660,234)	(19,735,523)	(2,435,327)	(260,960,430)
Equipment	<u>(20,050,686)</u>	<u>(1,752,946)</u>	<u>(2,874,750)</u>	<u>(18,928,882)</u>
Total accumulated depreciation	<u>(289,303,066)</u>	<u>(24,170,313)</u>	<u>(5,310,077)</u>	<u>(308,163,302)</u>
Governmental activities capital assets, net	<u>\$ 676,979,525</u>	<u>\$ 125,198,086</u>	<u>\$ (80,311,798)</u>	<u>\$ 721,865,813</u>
<u>Business-Type Activities</u>				
Equipment	\$ 6,432,610	\$ 760,238	\$ -	\$ 7,192,848
Less accumulated depreciation	<u>(4,213,785)</u>	<u>(462,954)</u>	<u>-</u>	<u>(4,676,739)</u>
Business-Type activities capital assets, net	<u>\$ 2,218,825</u>	<u>\$ 297,284</u>	<u>\$ -</u>	<u>\$ 2,516,109</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2014 as follows:

Governmental activities:	
Unallocated	<u>\$ 24,170,313</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ 462,954</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. SELF-INSURANCE**

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2014, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of \$845,191 is based on an actuarial estimate as of June 30, 2013, discounted at 0.5%. The workers' compensation claims liability of \$36,034,367 is based on an actuarial estimate as of June 30, 2013, discounted at 1.5%. The health claims liability of \$16,038,616 is based on an actuarial estimate as of June 30, 2013, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the years ended June 30, 2014 and 2013 were as follows:

	Property and <u>Liability</u>	Workers' Compen- sation	<u>Health</u>	<u>Total</u>
Claims liability at June 30, 2012	\$ 741,158	\$ 31,737,209	\$ 16,808,612	\$ 49,286,979
Incurred claims	1,103,006	11,169,299	107,425,757	119,698,062
Paid claims	<u>(1,113,849)</u>	<u>(8,522,289)</u>	<u>(108,154,038)</u>	<u>(117,790,176)</u>
Claims liability at June 30, 2013	<u>730,315</u>	<u>34,384,219</u>	<u>16,080,331</u>	<u>51,194,865</u>
Incurred claims	1,862,747	8,243,510	116,775,977	126,882,234
Paid claims	<u>(1,747,871)</u>	<u>(6,593,362)</u>	<u>(116,817,692)</u>	<u>(125,158,925)</u>
Claims liability at June 30, 2014	<u>\$ 845,191</u>	<u>\$ 36,034,367</u>	<u>\$ 16,038,616</u>	<u>\$ 52,918,174</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES

General Obligation Bonds

<u>Issue</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
1998 Refunding Series B								
Current Interest	5.5 - 6.95%	1998	2014**	\$ 26,998,742	\$ 1,195,000	\$ -	\$ 1,195,000	\$ -
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	23,020,000	-	1,895,000	21,125,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	50,575,000	-	2,530,000	48,045,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	41,180,000	-	2,190,000	38,990,000
2001 Series D	4.125 - 5.0%	2005	2031*	31,000,000	8,415,000	-	965,000	7,450,000
2001 Series E	4.0 - 5.0%	2007	2016*	35,000,000	3,390,000	-	1,080,000	2,310,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	8,045,000	-	390,000	7,655,000
2001 Series F	5.48%	2009	2026	29,429,022	26,515,872	-	1,144,729	25,371,143
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	11,610,000	-	170,000	11,440,000
2010 Measure Q Series A	4.726 - 5.876%	2011	2030	29,561,373	28,861,373	-	-	28,861,373
2001 Measure K Series G	5.39 - 11.814%	2011	2042	55,570,915	55,570,915	-	-	55,570,915
2010 Measure Q Series B	2.0 - 5.25%	2011	2042	50,434,849	45,579,849	-	2,290,000	43,289,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	39,895,000	-	715,000	39,180,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	32,390,000	-	1,245,000	31,145,000
2010 Measure Q Series C	2% - 5.5%	2012	2046	54,997,540	-	54,997,540	4,902,155	50,095,385
				<u>\$ 570,637,441</u>	<u>\$ 376,243,009</u>	<u>\$ 54,997,540</u>	<u>\$ 20,711,884</u>	<u>\$ 410,528,665</u>

\* Original maturity date was amended by 2012 GO Refunding, Series A

\*\* Original maturity date was amended by 2012 GO Refunding, Series B

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,045,000	\$ 1,227,960	\$ 3,272,960
2016	2,185,000	1,107,900	3,292,900
2017	2,315,000	980,155	3,295,155
2018	2,445,000	842,815	3,287,815
2019	2,590,000	697,380	3,287,380
2020-2023	<u>9,545,000</u>	<u>1,154,777</u>	<u>10,699,777</u>
	<u>\$ 21,125,000</u>	<u>\$ 6,010,987</u>	<u>\$ 27,135,987</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,930,000	\$ 2,866,215	\$ 5,796,215
2016	3,135,000	2,698,500	5,833,500
2017	3,350,000	2,510,100	5,860,100
2018	3,545,000	2,308,800	5,853,800
2019	3,810,000	2,095,200	5,905,200
2020-2024	23,005,000	6,733,800	29,738,800
2025-2027	<u>8,270,000</u>	<u>642,000</u>	<u>8,912,000</u>
	<u>\$ 48,045,000</u>	<u>\$ 19,854,615</u>	<u>\$ 67,899,615</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,290,000	\$ 1,956,450	\$ 4,246,450
2016	2,420,000	1,854,166	4,274,166
2017	2,540,000	1,742,176	4,282,176
2018	2,675,000	1,614,926	4,289,926
2019	2,815,000	1,480,926	4,295,926
2020-2024	16,365,000	5,137,755	21,502,755
2025-2028	<u>9,885,000</u>	<u>922,948</u>	<u>10,807,948</u>
	<u>\$ 38,990,000</u>	<u>\$ 14,709,347</u>	<u>\$ 53,699,347</u>

In October 2010, the District issued 2010 General Obligation Refunding Bonds to refund on an advance basis the 2001, Series D Bonds in the amount of \$10,930,000. The amortization schedule has been adjusted for the advance payment. The annual payments required to amortize the 2005, Series 2001D, General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 323,969	\$ 323,969
2016	-	323,969	323,969
2017	-	323,969	323,969
2018	-	323,969	323,969
2019	-	323,969	323,969
2020-2024	-	1,619,844	1,619,844
2025-2029	3,450,000	1,277,609	4,727,609
2030-2032	<u>4,000,000</u>	<u>176,749</u>	<u>4,176,749</u>
	<u>\$ 7,450,000</u>	<u>\$ 4,694,047</u>	<u>\$ 12,144,047</u>

The annual payments required to amortize the 2001, Series E, General Obligation Bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,130,000	\$ 69,800	\$ 1,199,800
2016	<u>1,180,000</u>	<u>23,600</u>	<u>1,203,600</u>
	<u>\$ 2,310,000</u>	<u>\$ 93,400</u>	<u>\$ 2,403,400</u>



**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The annual payments required to amortize the 2007, Refunding 1995 Series B, General Obligation Bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 405,000	\$ 310,500	\$ 715,500
2016	420,000	294,000	714,000
2017	445,000	276,700	721,700
2018	465,000	258,500	723,500
2019	490,000	239,400	729,400
2020-2024	2,755,000	878,869	3,633,869
2025-2028	<u>2,675,000</u>	<u>237,411</u>	<u>2,912,411</u>
	<u>\$ 7,655,000</u>	<u>\$ 2,495,380</u>	<u>\$ 10,150,380</u>

In December 2009, the District issued Qualified School Construction Bonds (QSCB) through the Central Valley Support Services Joint Powers Agency (CVSS) with proceeds of \$41,397,820. Also in December 2009, the District issued 2001, Series F, General Obligation Bonds with proceeds of \$29,429,022. The proceeds from Series F were sold to CVSS for the purpose of completing the District's obligation to repay the outstanding QSCB balance. The District incurred \$720,142 in expenses related to the cost of issuance of the QSCB and Series F. The remaining proceeds from the QSCB totaling \$11,248,656 was deposited in the District Building Fund for use on District construction projects approved under Measure K.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,419,412	\$ 1,351,940	\$ 2,771,352
2016	1,497,222	1,271,995	2,769,217
2017	1,750,295	1,182,980	2,933,275
2018	1,844,675	1,084,442	2,929,117
2019	1,944,234	980,588	2,924,822
2020-2024	11,416,257	3,137,767	14,554,024
2025-2027	<u>5,499,048</u>	<u>305,971</u>	<u>5,805,019</u>
	<u>\$ 25,371,143</u>	<u>\$ 9,315,683</u>	<u>\$ 34,686,826</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a premium of \$789,371 which will be amortized over 20 years. The annual payments required to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,180,000	\$ 354,100	\$ 1,534,100
2016	1,210,000	318,250	1,528,250
2017	1,245,000	281,425	1,526,425
2018	1,280,000	243,550	1,523,550
2019	1,310,000	202,825	1,512,825
2020-2024	<u>5,215,000</u>	<u>373,600</u>	<u>5,588,600</u>
	<u>\$ 11,440,000</u>	<u>\$ 1,773,750</u>	<u>\$ 13,213,750</u>

In October 2011, the District issued QSCBs through CVSS with proceeds of \$39,770,000. Also in October 2011, the District issued 2010, Series A, General Obligation Bonds with proceeds of \$29,561,373. The proceeds from Series A were sold to CVSS for the purpose of completing the District's obligation to repay the outstanding QSCB balance. The District incurred \$665,000 in expenses related to the cost of issuance of the QSCB and Series A. The remaining proceeds from the QSCB totaling \$9,543,627 was deposited in the District Building Fund for use on District construction projects approved under Measure Q.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 1,154,455	\$ 1,154,455
2016	-	1,154,455	1,154,455
2017	-	1,154,455	1,154,455
2018	-	1,154,455	1,154,455
2019	-	1,154,455	1,154,455
2020-2024	5,016,656	5,582,061	10,598,717
2025-2029	18,979,458	3,052,659	22,032,117
2030	<u>4,865,259</u>	<u>97,305</u>	<u>4,962,564</u>
	<u>\$ 28,861,373</u>	<u>\$ 14,504,300</u>	<u>\$ 43,365,673</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2024	\$ 830,887	\$ 1,562,433	\$ 2,393,320
2025-2029	9,893,783	19,829,233	29,723,016
2030-2034	18,419,853	55,671,643	74,091,496
2035-2039	17,355,677	80,119,620	97,475,297
2040-2043	<u>9,070,715</u>	<u>47,704,347</u>	<u>56,775,062</u>
	<u>\$ 55,570,915</u>	<u>\$204,887,276</u>	<u>\$260,458,191</u>

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 820,650	\$ 820,650
2016	-	820,650	820,650
2017	-	820,650	820,650
2018	210,000	816,450	1,026,450
2019	685,000	798,550	1,483,550
2020-2024	13,255,000	2,719,206	15,974,206
2025-2026	<u>5,143,974</u>	<u>3,328,486</u>	<u>8,472,460</u>
	<u>\$ 19,293,974</u>	<u>\$ 10,124,642</u>	<u>\$ 29,418,616</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027-2029	\$ 4,280,407	\$ 7,669,275	\$ 11,949,682
2030-2034	8,413,045	25,242,498	33,655,543
2035-2039	7,420,489	34,257,448	41,677,937
2040-2042	<u>3,881,934</u>	<u>20,418,016</u>	<u>24,299,950</u>
	<u>\$ 23,995,875</u>	<u>\$ 87,587,237</u>	<u>\$111,583,112</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 730,000	\$ 1,547,394	\$ 2,277,394
2016	745,000	1,532,644	2,277,644
2017	1,995,000	1,485,294	3,480,294
2018	2,095,000	1,403,494	3,498,494
2019	2,180,000	1,315,269	3,495,269
2020-2024	11,475,000	5,149,180	16,624,180
2025-2029	15,375,000	2,372,821	17,747,821
2030-2032	<u>4,585,000</u>	<u>173,344</u>	<u>4,758,344</u>
	<u>\$ 39,180,000</u>	<u>\$ 14,979,440</u>	<u>\$ 54,159,440</u>

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,755,000	\$ 733,305	\$ 4,488,305
2016	3,800,000	683,385	4,483,385
2017	3,875,000	606,373	4,481,373
2018	3,995,000	514,090	4,509,090
2019	4,750,000	410,355	5,160,355
2020-2023	<u>10,970,000</u>	<u>460,037</u>	<u>11,430,037</u>
	<u>\$ 31,145,000</u>	<u>\$ 3,407,545</u>	<u>\$ 34,552,545</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

The annual payments required to amortize the 2010 Measure Q, Series C, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,990,000	\$ 1,757,100	\$ 6,747,100
2016	-	1,707,200	1,707,200
2017	-	1,707,200	1,707,200
2018	-	1,707,200	1,707,200
2019	-	1,707,200	1,707,200
2020-2024	-	8,536,000	8,536,000
2025-2029	-	8,536,000	8,536,000
2030-2034	3,162,581	15,413,419	18,576,000
2035-2039	3,648,340	21,022,659	24,670,999
2040-2044	5,516,069	40,929,573	46,445,642
2045-2047	<u>32,778,395</u>	<u>15,934,231</u>	<u>48,712,626</u>
	<u>\$ 50,095,385</u>	<u>\$ 118,957,782</u>	<u>\$ 169,053,167</u>

Prior-year Defeasance of Debt

In prior year, the District defeased certain General Obligation Bonds by placing proceeds of the new General Obligation Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2014, \$26,085,000 of bonds outstanding are considered defeased.

Other Leases

All other leases of the District are treated as operating leases and are subject to annual appropriations and recorded as expenditures when paid.

Qualified Zone Academy Bonds

During 2000, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology (CART) totaling \$7,200,000. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers. During the year ended June 30, 2014, the remaining balance of the 2000 QZAB was paid in full.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Public Agency Retirement System

The District implemented a Public Agency Retirement System (PARS) Supplementary Retirement Plan on November 17, 2010, which was available to non-management personnel. There are 629 participants in the Plan. The District will make non-elective employer contributions to the participants' 403(b) annuity contract held with Pacific Life Insurance Company. The following schedule is a schedule of the future payments for the PARS Supplementary Retirement Plan:

Year Ending <u>June 30,</u>	Annual <u>Payments</u>
2015	\$ 7,776,793
2016	<u>7,776,793</u>
Total payments remaining	<u>\$ 15,553,586</u>

PG&E Energy Savings Loans

The District signed a long-term agreement with Pacific Gas and Electric (PG&E) to install energy efficient light fixtures at various District sites. The following is a schedule of future payments for PG&E Energy Savings Loans:

Year Ending <u>June 30,</u>	Annual <u>Payments</u>
2015	\$ 117,084
2016	117,084
2017	117,084
2018	96,933
2019	90,216
2020-2023	<u>143,175</u>
Total payments remaining	<u>\$ 681,576</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM LIABILITIES (Continued)**

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2014 is shown below:

	Balance <u>July 1, 2013</u>	Additions	Deletions	Balance <u>June 30, 2014</u>	Amounts Due Within <u>One Year</u>
General Obligation Bond	\$ 376,243,009	\$ 54,997,540	\$ 20,711,884	\$ 410,528,665	\$ 20,874,412
Unamortized premiums	3,678,005	598,556	216,062	4,060,499	219,579
Accreted interest	7,454,994	6,612,878	-	14,067,872	-
QZABs	227,003	-	227,003	-	-
PARS	23,330,378	-	7,776,792	15,553,586	7,776,793
PG&E energy savings loans	798,660	-	117,084	681,576	117,084
Other postemployment benefits (Note 9)	265,639,290	66,210,639	50,363,001	281,486,928	-
Compensated absences	<u>2,574,428</u>	<u>51,003</u>	<u>-</u>	<u>2,625,431</u>	<u>2,625,431</u>
<b>Totals</b>	<b><u>\$ 679,945,767</u></b>	<b><u>\$ 128,470,616</u></b>	<b><u>\$ 79,411,826</u></b>	<b><u>\$ 729,004,557</u></b>	<b><u>\$ 31,613,299</u></b>

Payments on the General Obligation Bonds are made from the Bond Interest Redemption Fund. Payments on the QZABs, PG&E Energy Savings Loans and PARS are made from the General Fund. Payments on the PARS are made from the General Fund. Payments on the compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

**7. NET POSITION / FUND BALANCES**

Restricted net position consisted of the following at June 30, 2014:

	<u>Governmental Activities</u>
Unspent categorical program revenues	\$ 8,329,833
Special revenues	13,821
Capital projects	29,498,489
Debt service	29,954,635
Self-insurance	<u>12,396,992</u>
	<b><u>\$ 80,193,770</u></b>
	<u>Business-Type Activities</u>
Food service operations	<u>\$ 7,838,110</u>
	<u>Fiduciary Activities</u>
Retiree benefits	<u>\$ 22,930,536</u>

**FRESNO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. NET POSITION / FUND BALANCES (Continued)**

Fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:						
Revolving cash fund	\$ 90,106	\$ -	\$ -	\$ -	\$ -	\$ 90,106
Prepaid expenditures	135,185	-	-	-	-	135,185
Stores inventory	<u>1,538,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,820</u>	<u>1,549,173</u>
Subtotal nonspendable	<u>1,763,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,820</u>	<u>1,774,464</u>
Restricted:						
Unspent categorical revenues	8,329,833	-	-	-	-	8,329,833
Child development	-	-	-	-	3,000	3,000
Capital projects	-	45,702,852	16,408,798	-	13,089,692	75,201,342
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,954,635</u>	<u>-</u>	<u>29,954,635</u>
Subtotal restricted	<u>8,329,833</u>	<u>45,702,852</u>	<u>16,408,798</u>	<u>29,954,635</u>	<u>13,092,692</u>	<u>113,488,810</u>
Assigned:						
High school facilities project	7,246,509	-	-	-	-	7,246,509
Extended day	444,643	-	-	-	-	444,643
Donations	373,787	-	-	-	-	373,787
Textbook replacement	567,247	-	-	-	-	567,247
Other assignments	30,796	-	-	-	-	30,796
Middle school programs	<u>24,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,627</u>
Subtotal assigned	<u>8,687,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,687,609</u>
Unassigned:						
Designated for economic uncertainty	<u>51,718,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,718,780</u>
Total fund balances	<u>\$ 70,499,866</u>	<u>\$ 45,702,852</u>	<u>\$ 16,408,798</u>	<u>\$ 29,954,635</u>	<u>\$ 13,103,512</u>	<u>\$175,669,663</u>



**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS**

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

*Plan Description*

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

*Funding Policy*

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$9,286,647, \$10,100,950 and \$10,149,474, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

*Plan Description*

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

*Funding Policy*

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$23,631,146, \$23,763,908 and \$24,289,281, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides post employment health care benefits to all employees and their dependents who have served the District for 16 years. Health care benefits are provided to employees for life if their hire date was prior to July 1, 2005. All employees hired after July 1, 2005 will continue to receive health benefits after retirement if at least age 60 at retirement, and have served the District for 25 years. Benefits will be received up to the age of Medicare coverage.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 64,074,343
Interest on net OPEB obligation	15,938,357
Adjustment to annual required contribution	<u>(13,802,061)</u>
Annual OPEB cost (expense)	66,210,639
Contributions made	<u>(50,363,001)</u>
Increase in net OPEB obligation	15,847,638
Net OPEB obligation - beginning of year	<u>265,639,290</u>
Net OPEB obligation - end of year	<u><u>\$281,486,928</u></u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 87,800,894	38.5%	\$226,478,242
June 30, 2013	\$ 71,531,445	45.3%	\$265,639,290
June 30, 2014	\$ 66,210,639	76.1%	\$281,486,928

As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was \$820 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$386 million, and the ratio of the UAAL to the covered payroll was 212 percent. The OPEB plan is currently operated as a pay-as-you-go plan. During the fiscal year ending June 30, 2014, the District made a discretionary contribution of \$21,252,177 to establish an irrevocable OPEB trust fund.

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

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

In the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 2 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 30 years.

**10. JOINT POWERS AGREEMENT**

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2013 (the most recent information available):

Total assets	\$ 119,898,857
Total liabilities	\$ 117,528,018
Net position	\$ 2,370,839
Total revenues	\$ 4,874,273
Total expenses	\$ 6,282,882

The relationship between Fresno Unified School District and the Joint Powers Authority is such that it is not a component unit of the District for financial reporting purposes.

**11. CONTINGENCIES**

Contingent Liabilities

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**11. CONTINGENCIES (Continued)**

Construction Commitments

As of June 30, 2014, the District has \$34 million in outstanding commitments on construction contracts.

**12. FINANCIAL RESPONSIBILITY**

The District has maintained a balanced approach to addressing the reduced State funding over the past years and utilized the same approach for the new funding made available in 2012/13 with the passage of Proposition 30. This multi-year, balanced approach has enabled the district to maintain a positive financial position.

In 2005/06, lifetime health benefits were limited to reduce the post-retirement liability and the district formed the Joint Health Management Board (JHMB), consisting of district and labor partners with the primary objective of maintaining a positive reserve in the Health Fund while retaining affordable health care.

The District continues to maintain a positive reserve in the current and future years as shown in the 2014/15 adopted budget and includes a conservative reserve to plan for the implementation of the Local Control Funding Formula. The District has maintained a positive financial position since 2006/07 as reflected by Moody's continued affirmation of the District's credit rating of Aa3 since 2010 during a time when other agencies have been lowered.

The District continues to monitor and budget for the current and future years to ensure financial stability and conservatively evaluate reserves to mitigate the effects of the prolonged state economic crisis.

**13. SUBSEQUENT EVENTS**

In September 2014, the District issued General Obligation, Election of 2010, Series D in the aggregate principal amount of \$59,996,789. The Series D Bonds were authorized at an election of the registered voters of the District held on November 2, 2010, which authorized the issuance of \$280,000,000 principal amount of general obligation bonds for the purpose of financing the acquisition, construction, upgrading and repairing of school facilities. The Series D Bonds will bear an interest rate ranging from 4.0% to 5.0% and mature through August 1, 2047.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FRESNO UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 327,294,786	\$ 325,167,797	\$ 426,157,530	\$ 100,989,733
Local sources	<u>39,490,095</u>	<u>39,490,095</u>	<u>43,478,797</u>	<u>3,988,702</u>
Total LCFF	<u>366,784,881</u>	<u>364,657,892</u>	<u>469,636,327</u>	<u>104,978,435</u>
Federal sources	81,380,596	81,761,585	73,697,541	(8,064,044)
Other state sources	156,598,640	187,175,399	79,433,152	(107,742,247)
Other local sources	<u>12,435,132</u>	<u>16,877,439</u>	<u>17,676,065</u>	<u>798,626</u>
Total revenues	<u>617,199,249</u>	<u>650,472,315</u>	<u>640,443,085</u>	<u>(10,029,230)</u>
Expenditures:				
Certificated salaries	299,840,370	305,347,606	304,745,570	602,036
Classified salaries	89,930,794	93,296,675	93,204,417	92,258
Employee benefits	147,552,792	147,436,706	144,970,824	2,465,882
Books and supplies	36,614,766	50,556,339	37,496,088	13,060,251
Contract services and operating expenditures	62,478,711	68,357,095	60,485,698	7,871,397
Capital outlay	8,682,128	10,740,767	2,817,374	7,923,393
Other outgo	2,017,436	2,995,698	1,876,664	1,119,034
Debt service:				
Principal retirement	<u>344,087</u>	<u>344,087</u>	<u>344,087</u>	<u>-</u>
Total expenditures	<u>647,461,084</u>	<u>679,074,973</u>	<u>645,940,722</u>	<u>33,134,251</u>
Deficiency of revenues under expenditures	<u>(30,261,835)</u>	<u>(28,602,658)</u>	<u>(5,497,637)</u>	<u>23,105,021</u>
Other financing sources (uses):				
Operating transfers in	4,914,498	1,576,095	1,963,472	387,377
Operating transfers out	<u>(6,773,554)</u>	<u>(5,667,145)</u>	<u>(4,636,610)</u>	<u>1,030,535</u>
Total other financing uses	<u>(1,859,056)</u>	<u>(4,091,050)</u>	<u>(2,673,138)</u>	<u>1,417,912</u>
Net change in fund balance	(32,120,891)	(32,693,708)	(8,170,775)	24,522,933
Fund balance, July 1, 2013	<u>78,670,641</u>	<u>78,670,641</u>	<u>78,670,641</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 46,549,750</u>	<u>\$ 45,976,933</u>	<u>\$ 70,499,866</u>	<u>\$ 24,522,933</u>

See accompanying notes to required supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
**FUNDING PROGRESS**

For the Year Ended June 30, 2014

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 444,000,000	220%
July 1, 2012	\$ -	\$ 956,000,000	\$ 956,000,000	0%	\$ 377,000,000	254%
July 1, 2013	\$ -	\$ 820,000,000	\$ 820,000,000	0%	\$ 386,000,000	212%

See accompanying notes to required supplementary information.



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### 1. PURPOSE OF SCHEDULES

#### A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

#### B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

## **SUPPLEMENTARY INFORMATION**

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
<b>ASSETS</b>								
Cash in County Treasury	\$ 302,406	\$ 76,188	\$ 1,112,797	\$ 100,438	\$ 6,444,495	\$ 6,891,064	\$ -	\$ 14,927,388
Cash on hand and in banks	-	2,951	-	-	-	-	-	2,951
Receivables	340,700	815,591	538,121	517	20,613	21,087	22	1,736,651
Due from other funds	-	311,127	64	410,025	-	291,336	-	1,012,552
Stores inventory	-	10,820	-	-	-	-	-	10,820
Total assets	<u>\$ 643,106</u>	<u>\$ 1,216,677</u>	<u>\$ 1,650,982</u>	<u>\$ 510,980</u>	<u>\$ 6,465,108</u>	<u>\$ 7,203,487</u>	<u>\$ 22</u>	<u>\$ 17,690,362</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 643,106	\$ 219,826	\$ 100,723	\$ 508,314	\$ 489,422	\$ 8,220	\$ -	\$ 1,969,611
Unearned revenue	-	-	29,050	-	-	-	-	29,050
Due to other funds	-	986,031	1,518,209	2,666	66,831	14,430	22	2,588,189
Total liabilities	<u>643,106</u>	<u>1,205,857</u>	<u>1,647,982</u>	<u>510,980</u>	<u>556,253</u>	<u>22,650</u>	<u>22</u>	<u>4,586,850</u>
Fund balances:								
Nonspendable	-	10,820	-	-	-	-	-	10,820
Restricted	-	-	3,000	-	5,908,855	7,180,837	-	13,092,692
Total fund balance	<u>-</u>	<u>10,820</u>	<u>3,000</u>	<u>-</u>	<u>5,908,855</u>	<u>7,180,837</u>	<u>-</u>	<u>13,103,512</u>
Total liabilities and fund balances	<u>\$ 643,106</u>	<u>\$ 1,216,677</u>	<u>\$ 1,650,982</u>	<u>\$ 510,980</u>	<u>\$ 6,465,108</u>	<u>\$ 7,203,487</u>	<u>\$ 22</u>	<u>\$ 17,690,362</u>

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2014

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
Revenues:								
Local Control Funding Formula:								
State appointment	\$ 1,571,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,571,588
Local sources	<u>159,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,208</u>
Total LCFF	<u>1,730,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730,796</u>
Federal sources	-	1,043,291	1,417,752	-	-	-	-	2,461,043
Other state sources	106,851	190,929	7,127,860	-	-	-	10	7,425,650
Other local sources	<u>8,353</u>	<u>635,113</u>	<u>35,944</u>	<u>3,084</u>	<u>1,245,292</u>	<u>82,082</u>	<u>(3,505)</u>	<u>2,006,363</u>
Total revenues	<u>1,846,000</u>	<u>1,869,333</u>	<u>8,581,556</u>	<u>3,084</u>	<u>1,245,292</u>	<u>82,082</u>	<u>(3,495)</u>	<u>13,623,852</u>
Expenditures:								
Certificated salaries	944,942	2,167,047	3,554,939	-	-	-	-	6,666,928
Classified salaries	129,707	1,124,184	1,611,412	-	21,845	61,635	-	2,948,783
Employee benefits	350,738	1,228,710	1,874,852	-	8,698	26,113	-	3,489,111
Books and supplies	63,860	239,722	965,662	169,427	-	-	-	1,438,671
Contract services and operating expenditures	216,661	1,041,999	362,518	2,218,514	704,273	12,250	-	4,556,215
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,407</u>	<u>-</u>	<u>-</u>	<u>324,407</u>
Total expenditures	<u>1,705,908</u>	<u>5,801,662</u>	<u>8,369,383</u>	<u>2,387,941</u>	<u>1,059,223</u>	<u>99,998</u>	<u>-</u>	<u>19,424,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>140,092</u>	<u>(3,932,329)</u>	<u>212,173</u>	<u>(2,384,857)</u>	<u>186,069</u>	<u>(17,916)</u>	<u>(3,495)</u>	<u>(5,800,263)</u>
Other financing sources (uses):								
Operating transfers in	-	3,633,115	-	2,384,857	-	-	3,495	6,021,467
Operating transfers out	<u>(374,243)</u>	<u>(4,705)</u>	<u>(265,309)</u>	<u>-</u>	<u>(34,894)</u>	<u>-</u>	<u>-</u>	<u>(679,151)</u>
Total other financing sources (uses)	<u>(374,243)</u>	<u>3,628,410</u>	<u>(265,309)</u>	<u>2,384,857</u>	<u>(34,894)</u>	<u>-</u>	<u>3,495</u>	<u>5,342,316</u>
Net change in fund balances	(234,151)	(303,919)	(53,136)	-	151,175	(17,916)	-	(457,947)
Fund balances, July 1, 2013	<u>234,151</u>	<u>314,739</u>	<u>56,136</u>	<u>-</u>	<u>5,757,680</u>	<u>7,198,753</u>	<u>-</u>	<u>13,561,459</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 10,820</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 5,908,855</u>	<u>\$ 7,180,837</u>	<u>\$ -</u>	<u>\$ 13,103,512</u>

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2014

	<b>Balance July 1, <u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2014</u></b>
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 35,420	\$ 338,834	\$ 294,714	\$ 79,540
Cash on hand and in banks	434,289	2,049,863	2,058,003	426,149
Stores inventory	<u>156</u>	<u>-</u>	<u>156</u>	<u>-</u>
Total assets	<b><u>\$ 469,865</u></b>	<b><u>\$ 2,388,697</u></b>	<b><u>\$ 2,352,873</u></b>	<b><u>\$ 505,689</u></b>
Liabilities:				
Due to student groups	<b><u>\$ 469,865</u></b>	<b><u>\$ 2,388,697</u></b>	<b><u>\$ 2,352,873</u></b>	<b><u>\$ 505,689</u></b>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	224,485	957,549	947,787	234,247
Stores inventory	<u>930</u>	<u>71,032</u>	<u>68,801</u>	<u>3,161</u>
Total assets	<b><u>\$ 225,415</u></b>	<b><u>\$ 1,028,581</u></b>	<b><u>\$ 1,016,588</u></b>	<b><u>\$ 237,408</u></b>
Liabilities:				
Due to student groups	<b><u>\$ 225,415</u></b>	<b><u>\$ 1,028,581</u></b>	<b><u>\$ 1,016,588</u></b>	<b><u>\$ 237,408</u></b>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	7,269	14,698	7,007	14,960
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 7,269</u></b>	<b><u>\$ 14,698</u></b>	<b><u>\$ 7,007</u></b>	<b><u>\$ 14,960</u></b>
Liabilities:				
Due to student groups	<b><u>\$ 7,269</u></b>	<b><u>\$ 14,698</u></b>	<b><u>\$ 7,007</u></b>	<b><u>\$ 14,960</u></b>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	1,222,685	2,515,975	2,595,038	1,143,622
Stores inventory	<u>11,752</u>	<u>65,402</u>	<u>57,073</u>	<u>20,081</u>
Total assets	<u>\$ 1,234,437</u>	<u>\$ 2,581,377</u>	<u>\$ 2,652,111</u>	<u>\$ 1,163,703</u>
Liabilities:				
Due to student groups	<u>\$ 1,234,437</u>	<u>\$ 2,581,377</u>	<u>\$ 2,652,111</u>	<u>\$ 1,163,703</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 35,420	\$ 338,834	\$ 294,714	\$ 79,540
Cash on hand and in banks	1,888,728	5,538,085	5,607,835	1,818,978
Stores inventory	<u>12,838</u>	<u>136,434</u>	<u>126,030</u>	<u>23,242</u>
Total assets	<u>\$ 1,936,986</u>	<u>\$ 6,013,353</u>	<u>\$ 6,028,579</u>	<u>\$ 1,921,760</u>
Liabilities:				
Due to student groups	<u>\$ 1,936,986</u>	<u>\$ 6,013,353</u>	<u>\$ 6,028,579</u>	<u>\$ 1,921,760</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## ORGANIZATION

June 30, 2014

Fresno Unified School District, a political subdivision of the State of California, was established on July 1, 1948. The District serves grades kindergarten through twelve and operates sixty-five elementary, fourteen middle, eight comprehensive high schools, five alternative schools, one independent study school, and two community day schools. All of the District's schools are located in Fresno County. The District is comprised of approximately 99 square miles. There were no changes to the District's boundaries during the current year.

The Board of Education at June 30, 2014 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Valerie F. Davis	President	2014
Lindsay Cal Johnson	Clerk	2014
Michelle A. Asadoorian	Member	2014
Luis A. Chavez	Member	2016
Christopher De La Cerda	Member	2014
Carol Mills, J.D.	Member	2016
Janet Ryan	Member	2016

The Superintendent's Executive Staff at June 30, 2014 was comprised of the following:

Michael E. Hanson Superintendent	
Ruth F. Quinto Deputy Superintendent, Chief Financial Officer Administrative Services	Misty Her Assistant Superintendent, School Leadership K-6
Kim Mecum Associate Superintendent, Human Resources / Labor Relations	Holland Locker Assistant Superintendent, School Leadership, K-6
Michael Neece Chief Academic Officer	Katie Russell Assistant Superintendent, School Leadership, K-6
Rosario Sanchez Associate Superintendent, School Support Services	Julie Severns Assistant Superintendent, School Leadership, K-8
Jorge Aguilar Associate Superintendent, Equity and Access, REA and Acct	Brian Wall Assistant Superintendent, School Leadership 9-12
Karin Temple Assistant Superintendent, Operational Services	Maria Maldonado Assistant Superintendent, English Learner Services
David Chavez Chief of Staff	Cheryl Hunt Assistant Superintendent, Special Education & Health Services
Kurt Madden Chief Technology Officer	Jacquie Canfield Executive Officer, Fiscal Services
Micheline Golden Chief Information Officer Communications Office	Kim Kelstrom Director, Fiscal Services

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**For the Year Ended June 30, 2014**

	<b><u>Second Period Report</u></b>	<b><u>Revised Second Period Report*</u></b>	<b><u>Annual Report</u></b>
<b>Elementary:</b>			
Transitional Kindergarten through Third	22,972	22,990	22,971
Fourth through Sixth	15,629	15,639	15,603
Seventh and Eighth	<u>9,529</u>	<u>9,531</u>	<u>9,486</u>
Subtotal Elementary	<u>48,130</u>	<u>48,160</u>	<u>48,060</u>
<b>Secondary:</b>			
Ninth through Twelfth	<u>17,834</u>	<u>17,895</u>	<u>17,483</u>
Subtotal Secondary	<u>17,834</u>	<u>17,895</u>	<u>17,483</u>
<b>Sunset Charter School - Classroom-based:</b>			
Transitional Kindergarten through Third	161	161	159
Fourth through Sixth	69	69	68
Seventh and Eighth	<u>32</u>	<u>32</u>	<u>32</u>
Subtotal Charter School	<u>262</u>	<u>262</u>	<u>259</u>
District Total	<u><u>66,226</u></u>	<u><u>66,317</u></u>	<u><u>65,802</u></u>

\* Reflects the adjustment for disallowance of 7.61 ADA as noted in the Accompanying Schedule of Audit Findings and Questioned Costs and other adjustments made by the District subsequent to the submission of the original Second Period Report of Attendance.

See accompanying notes to  
supplementary information.



**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**For the Year Ended June 30, 2014**

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b><u>District:</u></b>					
Kindergarten	36,000	35,000	36,860	180	In Compliance
Grade 1	50,400	49,000	55,000	180	In Compliance
Grade 2	50,400	49,000	55,000	180	In Compliance
Grade 3	50,400	49,000	55,000	180	In Compliance
Grade 4	54,000	52,500	54,520	180	In Compliance
Grade 5	54,000	52,500	55,200	180	In Compliance
Grade 6	54,000	52,500	55,200	180	In Compliance
Grade 7	54,000	52,500	60,793	180	In Compliance
Grade 8	54,000	52,500	60,793	180	In Compliance
Grade 9	64,800	63,000	64,803	180	In Compliance
Grade 10	64,800	63,000	64,803	180	In Compliance
Grade 11	64,800	63,000	64,803	180	In Compliance
Grade 12	64,800	63,000	64,803	180	In Compliance
<b><u>Sunset Charter School:</u></b>					
Kindergarten	36,000	34,971	46,745	180	In Compliance
Grade 1	50,400	48,960	55,440	180	In Compliance
Grade 2	50,400	48,960	55,440	180	In Compliance
Grade 3	50,400	48,960	55,440	180	In Compliance
Grade 4	54,000	52,457	55,440	180	In Compliance
Grade 5	54,000	52,457	55,440	180	In Compliance
Grade 6	54,000	52,457	55,440	180	In Compliance
Grade 7	54,000	52,457	55,440	180	In Compliance
Grade 8	54,000	52,457	55,440	180	In Compliance

See accompanying notes to  
supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Programs:		
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 40,926,365
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>55,159</u>
	Subtotal NCLB: Title I Programs		<u>40,981,524</u>
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	12,863,142
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	564,180
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	390,744
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	4,112
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	<u>799,237</u>
	Subtotal Special Education Cluster		<u>14,621,415</u>
	School Improvement Grant Cluster:		
84.377	NCLB: Title I, School Improvement Grant	15127	275,381
84.388	ARRA: NCLB: Title I, School Improvement Grant (SIG)	15020	<u>2,222,032</u>
	Subtotal School Improvement Grant Cluster		<u>2,497,413</u>

(Continued)

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

(Continued)

**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.330	NCLB: Title I, Part G: Advanced Placement Test Fee Reimbursement Program	14831	\$ 206,852
Migrant Ed Programs:			
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	391,102
84.011	NCLB: Title I, Migrant Ed Summer Program	10005	<u>109,065</u>
	Subtotal Migrant Ed Programs		<u>500,167</u>
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	6,165,024
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	2,135,127
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,068,165
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education & ESL	14508	415,337
84.002	Adult Education: Adult Secondary Education	13978	270,024
84.002A	Adult Education: English Literacy and Civics Education	14109	141,173
84.002	Adult Education: Citizenship and Integration Direct Services Grant Program	-	<u>63,635</u>
	Subtotal Adult Education Programs		<u>890,169</u>
Carl D. Perkins Career and Tech Education Programs:			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	865,584
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	<u>153,122</u>
	Subtotal Carl D. Perkins Career and Tech Education Programs		<u>1,018,706</u>

(Continued)

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)

**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Community School Programs:		
84.215J	Full Service Community Schools Program	-	\$ 41,378
84.215L	Elementary and Secondary School Counseling	-	<u>357,741</u>
	Subtotal Community School Programs		<u>399,119</u>
84.060	Indian Education	10011	52,394
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	91,540
84.350	Transition to Teaching	-	<u>472,766</u>
	Total U.S. Department of Education		<u>71,100,381</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.505	Affordable Care Act, Maternal, Infant, and Early Childhood Home Visiting Program	-	133,871
93.596	Child Development: Federal General and Preschool, Family Child Care Home	13609	888,058
93.778	Department of Health Services: Medi-Cal Billing Option	10013	<u>1,945,004</u>
	Total U.S. Department of Health and Human Services		<u>2,966,933</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims, Centers and Family Day Care Homes	13529	529,694
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	35,666,950
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,301,594</u>
	Total U.S. Department of Agriculture		<u>37,498,238</u>
	Total Federal Programs		<u>\$ 111,565,552</u>

See accompanying notes to supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**

There were no adjustments proposed to any funds of the District.

See accompanying notes to  
supplemental information.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**For the Year Ended June 30, 2014**

(UNAUDITED)

	(Adopted Budget) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$700,603,953</u>	<u>\$642,406,557</u>	<u>\$613,464,622</u>	<u>\$638,049,740</u>
Expenditures	728,293,229	645,940,722	609,932,546	606,533,952
Other uses and transfers out	<u>8,744,245</u>	<u>4,636,610</u>	<u>6,736,263</u>	<u>14,473,554</u>
Total outgo	<u>737,037,474</u>	<u>650,577,332</u>	<u>616,668,809</u>	<u>621,007,506</u>
Change in fund balance	<u>\$ (36,433,521)</u>	<u>\$ (8,170,775)</u>	<u>\$ (3,204,187)</u>	<u>\$ 17,042,234</u>
Ending fund balance	<u>\$ 34,066,345</u>	<u>\$ 70,499,866</u>	<u>\$ 78,670,641</u>	<u>\$ 81,874,828</u>
Available reserves	<u>\$ 34,249,435</u>	<u>\$ 51,718,780</u>	<u>\$ 66,570,939</u>	<u>\$ 63,136,220</u>
Designated for economic uncertainties	<u>\$ 34,249,435</u>	<u>\$ 51,718,780</u>	<u>\$ 66,570,939</u>	<u>\$ 63,136,220</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>4.65%</u>	<u>7.95%</u>	<u>10.80%</u>	<u>10.17%</u>

All Funds

Total long-term liabilities	<u>\$757,388,047</u>	<u>\$729,004,557</u>	<u>\$679,945,767</u>	<u>\$654,815,119</u>
Average daily attendance at P-2	<u>65,843</u>	<u>66,317</u>	<u>66,271</u>	<u>66,350</u>

The General Fund fund balance has increased by \$5,667,272 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$36,433,521. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2014, the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates an operating deficit in fiscal year 2014-2015.

Total long-term liabilities have increased by \$74,189,438 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has decreased by 33 over the past two years. A decrease of 474 ADA is projected for the 2014-2015 fiscal year.

See accompanying notes to  
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

**Charter Schools Chartered by District**

**Included in District  
Financial Statements, or  
Separate Report**

Fresno Academy of Civic and Entrepreneurial Leadership  
Dailey Elementary Charter School  
Kepler Neighborhood School  
School of Unlimited Learning  
Carter G. Woodson Public Charter  
Valley Preparatory Academy  
Valley Arts and Science Academy  
University High School  
Sierra Charter School  
Sunset Charter School

Separate Report  
Separate Report  
Separate Report  
Separate Report  
Separate Report  
Separate Report  
Separate Report  
Separate Report  
Separate Report  
Included in District financial  
statements, in the Charter School  
Fund

See accompanying notes to  
supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**

**1. PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 111,825,534
Less: Medi-Cal Billing Funds received in excess of expenditures	93.778	<u>(259,982)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 111,565,552</u>



**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

**1. PURPOSE OF SCHEDULES (Continued)**

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total long-term liabilities as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2014, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT  
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Audit Committee  
 Fresno Unified School District  
 Fresno, California

**Report on Compliance with State Laws and Regulations**

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time	10	Yes
Instructional Materials	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes
Charter School Facility Grant Program	1	No, see below
CART - Education Code Section 42238.20	10	Yes

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program.

We did not perform any procedures related to California Clean Energy Jobs Act because the District did not expend any program funds in the current year.

We did not perform any procedures related to After School Education and Safety Program: Before School because the District did not offer a Before School program in the current year.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study or Determination of Funding for Nonclassroom-Based Instruction, for charter schools because the District's charter school has no Nonclassroom-Based/Independent Study students.

We did not perform any procedures related to Charter School Facility Grant Program because the District did not receive any funding in the current year.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Fresno Unified School District. 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 State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Fresno 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 with state laws and regulations. However, our audit does not provide a legal determination of Fresno Unified School District's compliance.

### ***Basis for Qualified Opinion on Compliance with State Laws and Regulations***

As described in Finding 2014-002 and 2014-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Fresno Unified School District did not comply with requirements regarding Attendance Reporting and Kindergarten Continuance. Compliance with such requirements is necessary, in our opinion, for Fresno Unified School District to comply with state laws and regulations applicable to Attendance Reporting and Kindergarten Continuance.

### ***Qualified Opinion on Compliance with State Laws and Regulations***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Fresno Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Fresno Unified School District had not complied with the state laws and regulations.

**Other Matter**

Fresno Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Fresno Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014

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*

Audit Committee  
Fresno Unified School District  
Fresno, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise Fresno Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fresno 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 Fresno Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fresno 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 entity'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. We identified a deficiency in internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

## Compliance and Other Matters

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

## Response to Finding

Fresno Unified School District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Fresno Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE

Audit Committee  
Fresno Unified School District  
Fresno, California

**Report on Compliance for Each Major Federal Program**

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fresno Unified School District's major federal programs for the year ended June 30, 2014. Fresno 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Fresno 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fresno 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 Fresno Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Fresno 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, 2014.

## **Report on Internal Control Over Compliance**

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California  
December 2, 2014



## **FINDINGS AND RECOMMENDATIONS**

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555 84.027, 84.027A, 84.173, 84.173A 84.377, 84,388	Child Nutrition: School Programs (NSL Sec. 11) Special Education Cluster School Improvement Grants Cluster (includes ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

Type of auditor's report issued on compliance for state programs: Qualified

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

**2014-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)**

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At various school sites:

- ASB Purchase Request form was not approved by the site Principal.
- Receipts were not issued for funds collected at the front office.
- Lack of evidence of expenditure approval per student council meeting minutes.
- Sub-ledgers are not maintained at the individual club level.
- Monthly report of financial transactions are not prepared at the individual club level.
- Sub-receipt books issued for use by individual clubs are not tracked by the office manager.
- Sub-receipt books are not used by individual clubs.
- Lack of evidence of fundraising events per student council meeting minutes.
- Lack of evidence of dual count on cash count sheet.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Disbursements should be approved by appropriate individual(s) prior to initiation of checks.
- Receipts should be issued for funds collected at the front office.
- Disbursements for organized ASB sites should be supported with student council minutes evidencing approval.
- Sub-ledgers should be maintained for individual clubs and financial reports should be prepared and independently reviewed on a monthly basis.
- Sub-receipt books should be used by individual clubs and tracked by the office manager.
- Fundraising events for organized ASB sites should be support with student council minutes evidencing approval.
- Cash receipts should be counted in dual custody and evidenced by dual signatures on cash count form.

Corrective Action Plan

The District provides training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the auditor's recommendations, some at a greater level than what has been suggested. The District will provide additional training focused on managing sub-receipt books and accounting for individual club accounts.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2014**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2014

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**2014-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

- At Powers-Ginsburg Elementary School 2 students were improperly included for a total misstatement of 2 days.
- At Edison High School 1 student was improperly included for a total misstatement of 1 day.

Effect

The effect of this finding is an extrapolated overstatement of 1.47 ADA and 2.24 ADA in the Fourth through Sixth and Ninth through Twelfth grade span, respectively.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The fiscal impact of the overstatement of ADA is \$28,685.

Recommendation

The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.

Corrective Action Plan

The District has revised and resubmitted the Period Two Report of Attendance.

**FRESNO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2014**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**2014-003 STATE COMPLIANCE - KINDERGARTEN CONTINUATION (10000)**

Criteria

Education Code 48011 requires a child who has completed a year of kindergarten to be promoted to first grade, unless the parent or guardian and the District agree that the child may continue in kindergarten not more than one additional year. A parent or guardian who agrees their child is to continue in kindergarten must sign a Kindergarten Continuance form prior to the beginning of the school year.

Condition

At various school sites, signed Kindergarten Continuance forms signed by a parent or guardian prior to the beginning of the school year for 13 students could not be located.

Effect

The effect of this finding is an overstatement of 3.90 ADA.

Cause

The errors were a result of a parent or guardian not completing and signing a Kindergarten Continuance form prior to the beginning of the school year.

Fiscal Impact

The fiscal impact of the overstatement of ADA is \$30,154.

Recommendation

The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.

Corrective Action Plan

The District has revised and resubmitted the Period Two Report of Attendance.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**FRESNO UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**Year Ended June 30, 2014**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<p><b>2013-01</b></p> <p>At various school sites tested:</p> <ul style="list-style-type: none"> <li>• Receipts are not issued when monies are turned into the office manager.</li> <li>• Cash count forms for receipt of funds evidencing dual count of funds are not performed.</li> <li>• No profit/loss statement is completed for the student store.</li> <li>• Inventory counts are not reviewed or re-performed by an independent person.</li> <li>• Minutes are not maintained to support disbursement approval from student council meetings.</li> </ul> <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Cash receipts should be issued when monies are turned into the office manager.</li> <li>• Cash count forms should be performed evidencing dual count of funds for receipt of funds.</li> <li>• Profit/loss statements should be completed for the student store.</li> <li>• Inventory counts should be reviewed or re-performed by an independent person.</li> <li>• Minutes supporting disbursement approval from the student council meetings should be maintained.</li> </ul>	<p>Partially implemented.</p>	<p>See current year finding 2014-001.</p>
<p><b>2013-02</b></p> <ul style="list-style-type: none"> <li>• At Wawona Middle School 1 student was improperly included for a total misstatement of 1 day.</li> <li>• At Tioga Middle School 1 student was improperly included for a total misstatement of 1 day.</li> </ul> <p>The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.</p>	<p>Partially implemented.</p>	<p>See current year finding 2014-002.</p>