

FRESNO UNIFIED SCHOOL DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2015

FRESNO UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 8 and 9, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures". GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to period of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 to 20 and the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 75 to 80 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*, Chief Financial Officer's Report 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 Chief Financial Officer's Report and the Schedule of Financial Trends and Analysis have 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 them.

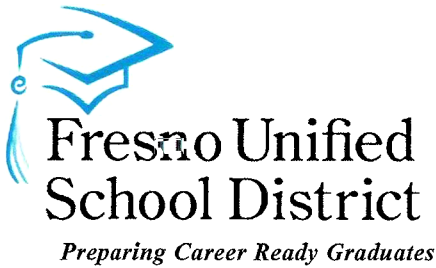
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 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 9, 2015



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Michael E. Hanson

December 9, 2015

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, 2015, 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 \$65,769,636.

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.

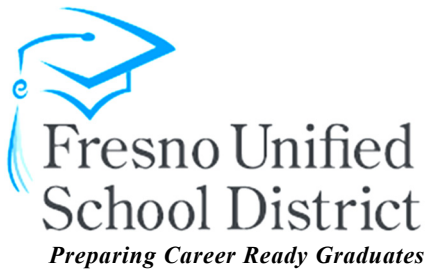
The financial statements for the year ended June 30, 2015 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully submitted,

Ruth F. Quinto
Deputy Superintendent/Chief Financial Officer

Management Discussion and Analysis

June 30, 2015



The management of the Fresno Unified School District (the District), offers 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, 2015. 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 is furnished in the letter of transmittal at the front of this report. This discussion and analysis provides a comparison between fiscal year 2014/15 and fiscal year 2013/14.

FINANCIAL HIGHLIGHTS

- The primary government has a net position deficit in governmental activities totaling \$434 million at June 30, 2015.
- Business-type activities has a net position deficit of \$1.7 million at June 30, 2015.
- The total net position of the District decreased by \$47 million during fiscal year 2014/15. This is mainly due to the recognition of the State of California pension liabilities in 2014/15, increased post-retirement benefits and the issuance of Measure Q, Series D Bond offset by continued construction of new capital assets.
- The total net assets of the District's business-type activities for food services decreased by 1% mainly due lease payments, which will expire in 2028.
- Fund balance of the District's governmental funds increased marginally by \$3 million resulting in an ending fund balance of \$179 million. The increase was due to a combination of the issuance of Measure Q, Series C offset by additional capital projects, utilization of the General Fund balance and increased health costs.
- At the end of the 2014/15 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by \$5 million resulting in an ending fund balance of \$66 million. This was mainly due to the Quality Education Investment Act and Common Core entitlements ending and utilizing the restricted ending fund balance in 2014/15.
- Government Accounting Standards Board (GASB) Statement No. 68 recognizes the District's portion of the states California State Teachers Retirement System (CalSTRS) and Public Employment Retirement System (CalPERS) pension liabilities, deferred inflows, deferred outflows and pension expenses. In 2014/15, all agencies were required to recognize their share of the unfunded liability. The District is recognizing a net decrease of \$578 million to beginning net position for the cumulative effect of GASB Statement No. 68 implementation.

Management Discussion and Analysis

June 30, 2015

- GASB Statement No. 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 annual OPEB cost of \$68 million for 2014/15 offset with the 2014/15 actual healthcare costs of \$33.5 million for District retirees and covered dependents. In addition, \$3.5 million transferred into an irrevocable trust from the General and Health Funds. The change of \$31 million is included as an increase to the OPEB liability. This is the eighth year the District has recognized the liability of \$312 million.
- The District's long-term obligations increased by \$556 million to \$1.285 billion mainly as a result the recognition of pension liabilities, the issuance of Measure Q, Series D and GASB 45 Retiree Health offset with continued payments to the general obligation bond debt and supplementary retirement benefits.
- The District maintained a positive financial position for 2014/15 as reflected by Moody's credit rating of Aa3 issued in September 2015.

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 basic 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

Management Discussion and Analysis

June 30, 2015

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 *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 Change 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 10 different governmental funds. The major funds are the General, Building, County School Facilities and Bond Interest and Redemption Funds. 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 *Required Supplementary Information* 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 provides 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.

Management Discussion and Analysis

June 30, 2015

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 Retiree 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 the benefit of our retiree's health expenses.

Notes to the Basic Financial Statements

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

Other Information

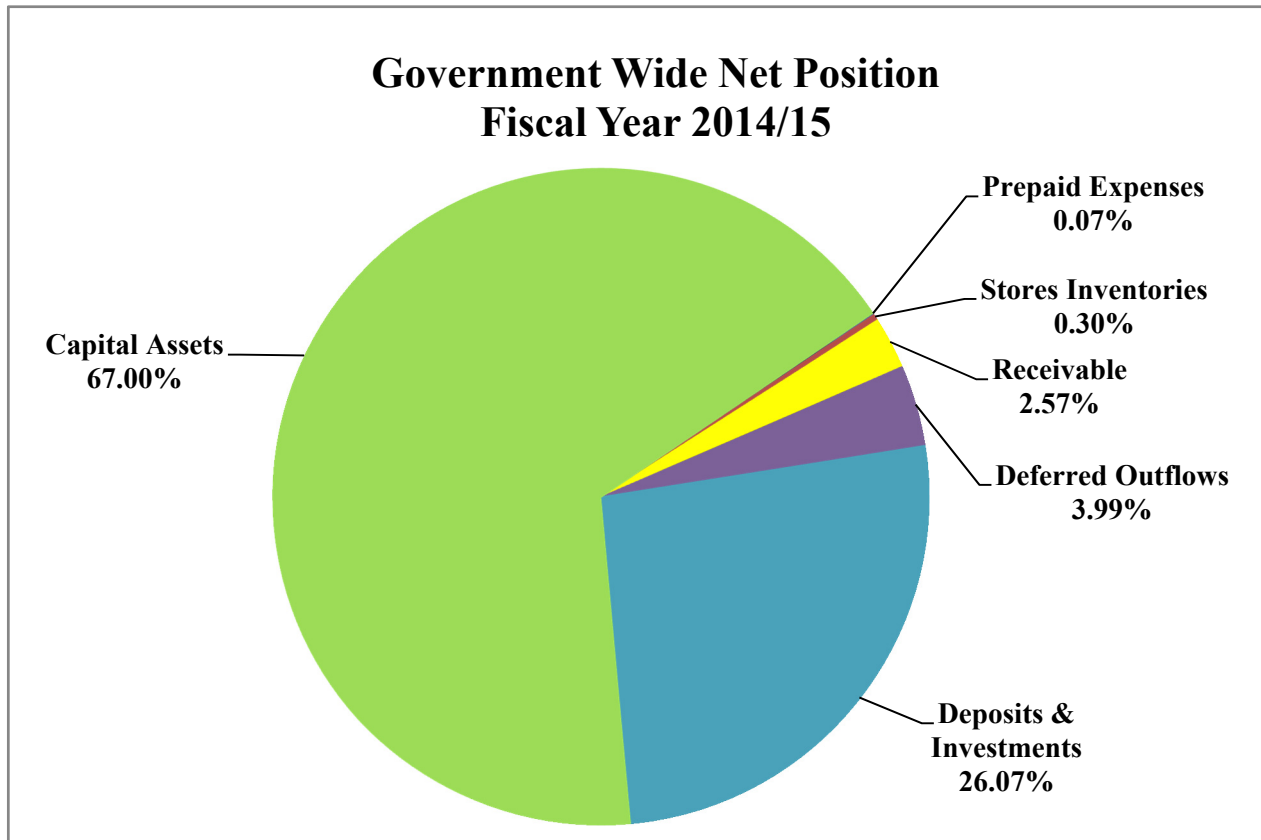
In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, findings and recommendations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Change
	2015	2014 Restated*	2014		2015	2014 Restated*	
			2015	Restated*			
Current and other assets	\$ 316,464,612	\$ 324,037,864	\$ 9,589,803	\$ 9,666,986	\$ 326,054,415	\$ 333,704,850	-2.29%
Capital assets	750,839,365	721,865,813	2,113,538	2,516,109	752,952,903	724,381,922	3.94%
Total Assets	1,067,303,977	1,045,903,677	11,703,341	12,183,095	1,079,007,318	1,058,086,772	1.98%
Deferred Outflows	43,708,196	38,410,298	1,157,226	995,414	44,865,422	39,405,712	13.86%
Current liabilities	139,085,101	142,081,960	1,499,231	1,828,876	140,584,332	143,910,836	-2.31%
Long-term liabilities	1,275,841,332	1,328,518,527	9,408,180	13,420,055	1,285,249,512	1,341,938,582	-4.22%
Total Liabilities	1,414,926,433	1,470,600,487	10,907,411	15,248,931	1,425,833,844	1,485,849,418	-4.04%
Deferred Inflows	129,896,554	-	3,696,465	-	133,593,019	-	NA
Net invested in							
capital assets	330,091,672	342,997,010	2,113,538	2,516,109	332,205,210	345,513,119	-3.85%
Restricted	60,201,756	80,193,770		7,838,110	60,201,756	88,031,880	-31.61%
Unrestricted	(824,104,242)	(809,477,292)	(3,856,847)	(12,424,641)	(827,961,089)	(821,901,933)	0.74%
Total Net Position	\$ (433,810,814)	\$ (386,286,512)	\$ (1,743,309)	\$ (2,070,422)	\$ (435,554,123)	\$ (388,356,934)	12.15%

*The Total Net Position reported in the 2014 Financial Statements was \$190 million. The 2014 Restated Total Net Position is (\$388) million. This is due to GASB Statement No. 68 which decreased the net position by \$578 million. This includes the following components: Net Pension Liability-Governmental Activities of \$476 million and Business Type Activities of \$9 million and Deferred Inflows-Governmental Activities of \$130 million and Business Type Activities of \$4 million offset by the Deferred Outflows-Governmental Activities of \$40 million and Business Type Activities of \$1 million.



Government-wide Net Position

The assets of the District are classified as follows: cash, receivables, internal balances, 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 2014/15 fiscal year. Long-term liabilities such as general obligation bonds, capitalized lease obligations, supplemental retirement benefits, energy loans and compensated absences will be liquidated from resources that will become available after the 2014/15 fiscal year.

The liabilities and deferred inflows of the primary government activities exceed the assets and deferred outflows by \$433.8 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.

Management Discussion and Analysis

June 30, 2015

A net investment of \$751 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 70,646 public school students represents 70% of the District's total assets. The table and chart above summarizes the District's government-wide net position.

The District's Business-type activities net position decreased by \$12.1 million. The Cafeteria Fund's contributions to the Public Employers Retirement System (PERS) represents approximately 10% of the District's employees contributing to the PERS. The District's 2014/15 unaudited actuals reported an ending fund balance of \$10.2 million for the Cafeteria Fund. The implementation of GASB Statement No. 68 reduced the ending fund balance at June 30, 2015 to (\$1.7) million.

Key elements that highlight the activities in 14/15 fiscal year are as follows:

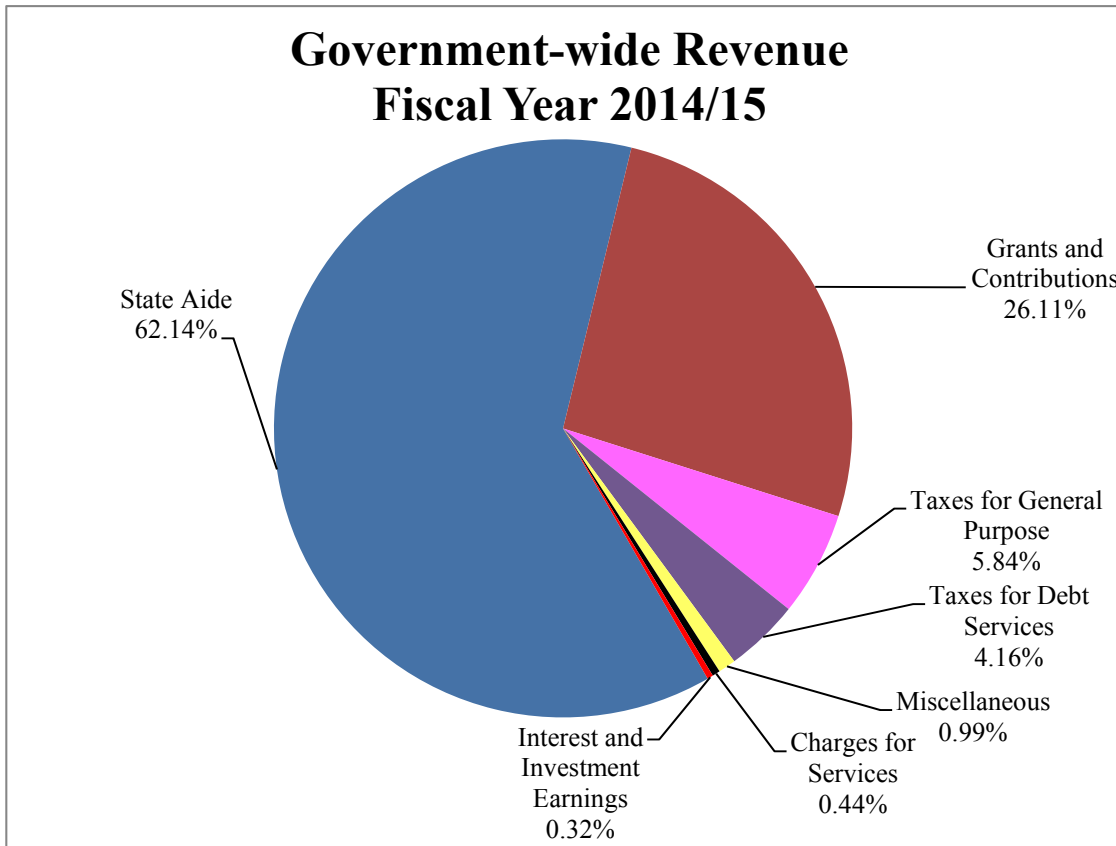
- The Cafeteria Fund provided over 25,300 breakfasts and 57,700 lunches and 6,100 snacks a day during the fiscal year and 16,000,000 meals annually which is an increase of 628,100 meals from the prior year.
- Fresno Unified School District continues to participate in a new option available to schools participating in the National School Lunch and School Breakfast Programs called the Community Eligibility Provision (CEP) for school year 2014/15. All students enrolled at Fresno Unified School District site are eligible to receive a healthy breakfast and lunch at no charge each day.
- Meals are served at 107 locations, utilizing 512 full and part-time employees. The meals served have increased enabling the program to operate on the federal and state reimbursement.

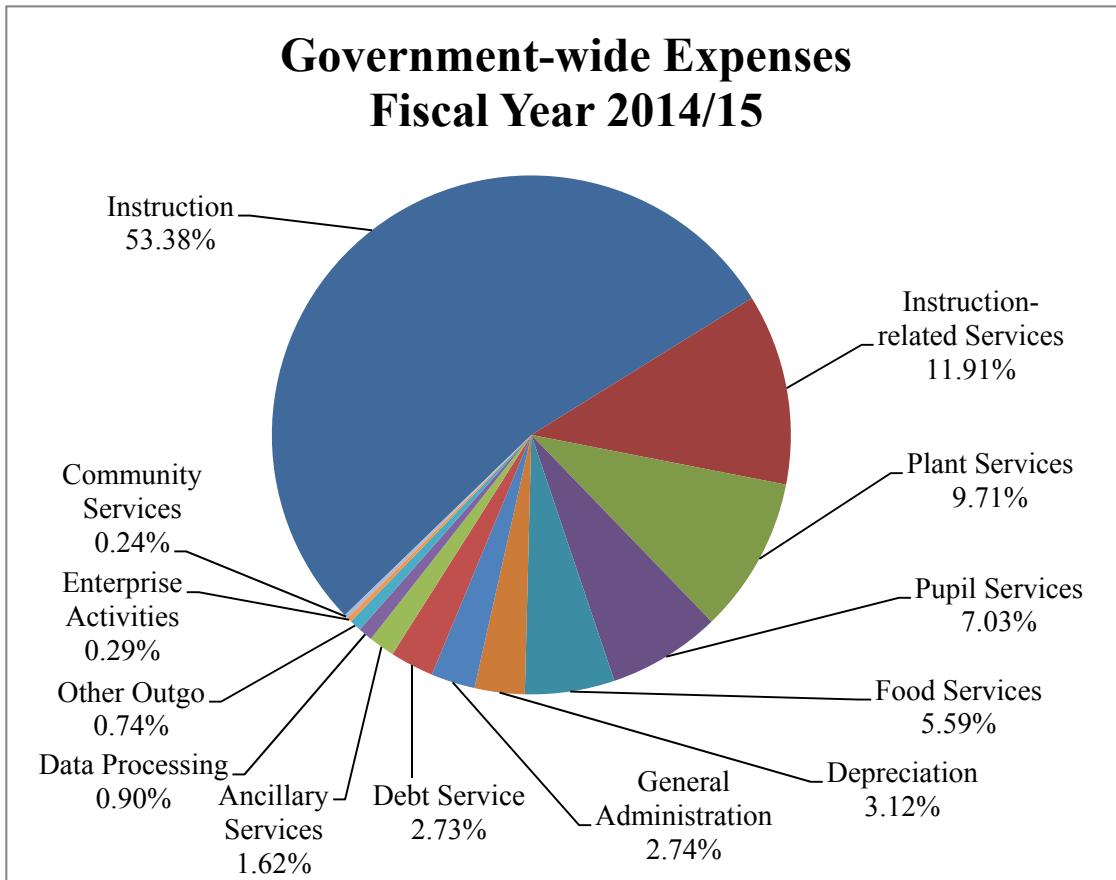
Management Discussion and Analysis

June 30, 2015

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		Change
	2015	2014	2015	2014	2015	2014	
Program Revenues							
Charges for Services	\$3,252,708	\$3,759,655	\$350,073	\$814,119	\$3,602,781	\$4,573,774	-21.23%
Operating and Capital Grants and Contributions	166,484,306	173,029,451	47,268,226	39,226,357	213,752,532	212,255,808	0.71%
General Revenues							
Taxes and Subventions	82,123,365	84,910,444	-	-	82,123,365	84,910,444	-3.28%
Federal and State Aid, Unrestricted	508,708,375	435,881,010	-	-	508,708,375	435,881,010	16.71%
Interest and Investment Earnings	2,697,827	2,300,459	-	-	2,697,827	2,300,459	17.27%
Other General Revenues	7,794,509	8,652,054	-	1,000,000	7,794,509	9,652,054	-19.25%
Total Revenues	771,061,090	708,533,073	47,618,299	41,040,476	818,679,389	749,573,549	9.22%
Expenses							
Instruction	462,229,412	401,335,072	-	-	462,229,412	401,335,072	15.17%
Instructional Related	103,100,952	90,138,455	-	-	103,100,952	90,138,455	14.38%
Student Support Services	64,608,974	56,562,697	-	-	64,608,974	56,562,697	14.23%
General Administrative	29,972,749	28,378,222	-	-	29,972,749	28,378,222	5.62%
Maintenance and Operatio	83,235,000	74,750,736	-	-	83,235,000	74,750,736	11.35%
Depreciation	27,010,675	24,170,313	-	-	27,010,675	24,170,313	11.75%
Other	48,427,630	61,444,377	-	-	48,427,630	61,444,377	-21.18%
Enterprise Activities	-	-	47,291,185	42,269,533	47,291,185	42,269,533	11.88%
Total Expenses	818,585,392	736,779,872	47,291,185	42,269,533	865,876,577	779,049,405	11.15%
Change in Net Position	\$(47,524,302)	\$(28,246,799)	\$ 327,114	\$ (1,229,057)	\$(47,197,188)	\$(29,475,856)	60.1%





Management Discussion and Analysis

June 30, 2015

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 2014/15.

- The County School Facilities Fund spent \$46.9 million on projects (Measure Q - \$44.6 million, Measure K - \$2.0 million and Measure A - \$300,000).
- The County School Facilities Fund's major projects and activities included the following:
 - Construction and Maintenance major projects and activities included the following totaling \$42.0 million
 - Bullard High \$ 11.1 million
 - DeWolf High \$ 9.5 million
 - McLane High \$ 7.8 million
 - Baird Middle \$ 5.2 million
 - Hoover High \$ 4.6 million
 - Gaston Middle \$ 2.6 million
 - Easterby Elementary \$ 0.3 million
 - Edison High \$ 0.3 million
 - 16 other sites totaling \$ 0.6 million
 - Modernization Projects included the following sites totaling \$4.9 million
 - Sequoia Middle \$ 2.5 million
 - Hamilton Elementary \$ 0.5 million
 - Edison High \$ 0.4 million
 - McLane High \$ 0.3 million
 - Roosevelt High \$ 0.2 million
 - 29 other sites totaling \$ 1.0 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 increased by 270 students during the fiscal year. The average daily funded attendance for fiscal year 2014/15 increased 483 ADA from the 2013/14 fiscal year. This increase amounts to approximately \$3.9 million.

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

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 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2014/15, Fresno Unified spent 58% towards classroom compensation.

Over the course of the year, the District revised the annual operating budget five times. These budget amendments are authorized per Education Code 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 is required to present year-end projections at two different intervals (December and March).

Management Discussion and Analysis

June 30, 2015

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, Title I, Regional Occupation Program and California Endowment, in addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources.

The adopted unrestricted ending balance at year-end for the 2014/15 budget was \$32 million. The actual ending balance was \$63 million. The difference of \$31 million is mainly due to the following:

- The Beginning Fund balance for 2014/15 was higher than estimated in the adopted budget by \$4.0 million
- Local Control Funding Formula and State mandate revenue increased by \$11.2 million
- Increases in the State preschool contract reimbursement amounts reduced the Unrestricted General Fund support resulting in savings of \$3.9 million
- Savings of \$2.9 million for one-time facilities and transportation projects that will be completed next year
- Expenditures and contributions savings of \$5.4 million mainly due to vacant positions, lower water usage and reimbursements for internal district services
- Cost savings of \$2.3 million for District designated schools due to a reduced implementation for 2014/15 from 20 to 10 schools
- State Teachers' Retirement System (STRS) employer costs decreased saving \$1.8 million

Capital Assets and Long Term Liabilities

Governmental Activities, Capital Assets	2015	2014	\$ Change	% Change
Land	\$ 61,136,569	\$ 55,465,233	\$ 5,671,336	10.23%
Work-in-process	59,514,643	92,250,196	(32,735,553)	-35.49%
Land improvements	70,781,890	61,668,738	9,113,152	14.78%
Buildings	865,031,348	792,916,291	72,115,057	9.09%
Equipment	17,340,737	27,728,657	(10,387,920)	-37.46%
Capital Assets, cost	1,073,805,187	1,030,029,115	43,776,072	4.25%
Accumulated Depreciation	(322,965,822)	(308,163,302)	(14,802,520)	4.80%
Governmental Activities Capital Assets, net	<u>\$ 750,839,365</u>	<u>\$ 721,865,813</u>	<u>\$ 28,973,552</u>	<u>4.01%</u>
Business-Type Activities, Capital Assets				
Equipment	7,174,736	7,192,848	(18,112)	-0.25%
Accumulated Depreciation	(5,061,198)	(4,676,739)	(384,459)	8.22%
Business-Type Activities Capital Assets, net	<u>\$ 2,113,538</u>	<u>\$ 2,516,109</u>	<u>\$ (402,571)</u>	<u>-16.00%</u>

Management Discussion and Analysis

June 30, 2015

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2015 was \$753 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 "Q" bond funding.

Summary of Long Term Liabilities

	2015	2014 Restated*	\$ Change	% Change
Governmental Activities				
General Obligation Bonds	\$ 449,651,042	\$ 410,528,665	\$ 39,122,377	9.53%
Accreted Interest	21,798,381	14,067,872	7,730,509	54.95%
PG&E Energy Loans	564,492	681,576	(117,084)	100.00%
Unamortized Premium	4,889,941	4,060,499	829,442	20.43%
Other Postemployment Benefits	312,438,148	281,486,928	30,951,220	11.00%
Supplementary Retirement Benefits	7,776,794	15,553,586	(7,776,792)	-50.00%
Compensated Absences	2,747,714	2,625,431	122,283	4.66%
Net Pension Liability	475,974,820	599,513,970	(123,539,150)	N/A
Governmental Long-Term Liabilities	\$ 1,275,841,332	\$ 1,328,518,527	\$ (52,677,195)	-3.97%
Business-Type Activities				
Net Pension Liability	\$ 9,408,180	\$ 13,420,055	\$ (4,011,875)	N/A
Total Long-Term Liabilities	\$ 1,285,249,512	\$ 1,341,938,582	\$ (56,689,070)	-4.22%

*The Total Long-Term Liabilities reported in the 2014 Financial Statements totaled \$729 million. The July 1, 2014 Restated Long-Term Liabilities is \$1.3 million. This is due to GASB Statement No. 68 which recognized the Pension Liability of \$613 million (Governmental Activities of \$600 million and Business Type Activities of \$13 million).

At June 30, 2015, the District had total bonded debt outstanding of \$450 million backed by the full faith and credit of the District. Additionally, GASB 68 requires the District to recognize the Pension Liability in 2014/15.

Total long-term debt for the District decreased by \$57 million, considering a restatement of the beginning balance, to recognize GASB 68 Net Pension Liability of \$613 million. The change in the liability was due mainly to the issuance of a General Obligation Bond of \$60 million, net increase in the OPEB liability of \$31 million and increase in accreted interest of \$8 million offset by payments to the General Obligation Bonds of \$21 million, the decrease to the pension liability of \$128 million and Supplementary Retirement Benefits of \$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 \$6 million less than the maximum amount.

Economic Factors and Budgets and Rates for 2015/16

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 from the Governor's priorities and calculates funding levels based upon enrollment projections. The 2015/16 Proposed Budget includes recommendations that continue to balance the Board

Management Discussion and Analysis

June 30, 2015

of Education's investment in educational programs for students, employee compensation, and fiscal responsibility through a healthy financial reserve.

On June 3, 2014, the Board approved an Adopted Budget for fiscal year 2015/16. The Adopted Budget included a 4.61% unrestricted reserve.

- The major State assumption are:
 - The Local Control Funding Formula (LCFF) estimates "gap" funding level at 5.08% which equates to approximately \$90 million
 - Statutory cost-of-living adjustment of 1.02%
 - The cash flow projects a positive cash balance of \$84.6 million on June 30, 2016
 - Increase in State Teachers Retirement employer cost and Public Employee Retirement by \$9.3 million
 - Mandate Block Grant funds mandated activities are funded both on a per ADA basis and through a claim process. The proposed budget includes \$28.7 million
 - Educational Protection Account continues as approved by Proposition 30 in November 2012 and represents 23% of the Local Control Funding Formula of \$81 million
 - 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 \$21.2 million
 - The Early Learning and Elementary School Aligned Instructional System: Instructional coaches, lead teachers for Accountable Communities, early learning classroom aides and administrative support
 - The Middle School Aligned Instructional System: Lead teachers for Accountable Communities, counselors, instructional coaches and IPL and ELA/Math intervention teachers
 - The High School Aligned Instructional System: Counselors, instructional coaches, lead teachers for Accountable Communities, ELA/Math intervention teachers, corrective reading/intervention, credit recovery, administrative support, sophomore online learning, police officers
- Supplemental and Concentration Programs supported through LCFF funds of \$126 million
- School site allocations including additional funds for instructional classroom support, after-school activities and library supplies
 - Career Readiness allocations including expansion of Kids Invent to sixth grade, linked learning pathways and full support for the Sunnyside Doctor's Academy, support of the new entrepreneurship high school and expansion of CTE programs
 - Early Learning allocations for the A Street center to capacity
 - Restorative justice allocations include addition of counselors to expand restorative justice to two additional regions and support foster students in high schools
 - Instructional Support allocations includes six positions to build collective capacity to improve instruction
 - Security allocations include an increase in the crossing guard program and the addition of three campus safety assistant positions for targeted support
 - Transportation allocations includes an additional relief bus driver position
 - Middle school allocations includes for additional vice principals at Fort Miller and Gaston
 - High school allocations include additional teaching positions in core classes and social emotional support at each high school

Management Discussion and Analysis

June 30, 2015

- Allocated resources supported by the general fund
 - Fiscal Services allocations for the creation of the employee service center and payroll review team of \$600,000
 - Maintenance and operation allocations to support an increase in utilities, an additional six positions to add an additional mobile maintenance team and a metal trades position of \$600,000
 - Technology allocations an increase in vendor maintenance contracts and to cover the 20% reduction in E-rate funds of \$300,000
 - Legal allocations for increased legal costs of \$250,000
 - Assessments allocations for a new districtwide assessment system of \$1 million
 - Title I support to backfill the loss of Title I funds of \$2 million
 - Student Support allocations to support student leadership enrichment opportunities, a campus culture pilot at Birney Elementary and support for drug counseling services of \$326 million
- Utilize one-time reserves of \$10.9 million
 - Education Programs: State standards professional learning for teachers, support additional teachers at the elementary level, assist schools transitioning out of the QEIA program and professional learning for bilingual teachers
 - Operational Support: Support middle school facility investment, replace vehicles and maintenance/operation equipment, replace cafeteria tables, implement technology solutions for Human Resources processes, security equipment in partnership with the Fresno Police Department and athletic equipment
- May Revise Items
 - CTE expanded program increase of \$3 million
 - Special Education Director to align with the department structure increase of \$132,000
 - School site support with the highest concentration of disadvantaged population increase of \$8 million
 - Library Supply funds for school sites increase of \$548,000
 - Goal 2 support for arts and activities for all students in grades 3 through 12 increase of \$4.025 million
 - One-time allocations for planned English Language Arts texts and materials adoption, Career Technical Education, school site technology, science lab equipment, water conservation and uniforms for athletics and band and music equipment increase of \$28 million
- Completed multi-year negotiations for employee salary increase which includes 2% for 2015/16. This offer was accepted by SEIU. While the district has not settled with other classified employee groups, they are entitled to this increase. In addition an equivalent amount has been reserved for the non-management certificated personnel as the district continues negotiations
- STRS and PERS employer costs include funding for significantly increases of \$9.3 million
- GASB 45 includes a district contribution

Management Discussion and Analysis

June 30, 2015

- Benefit Rates
 - Increase the Health rate in accordance with the current proposed employee bargaining agreements by \$1,329 to \$16,003 per employee
 - Workers' Compensation increases the Liability Insurance rates to fund the reserve level at 68% and continue the level of funding to increase the reserve to 76% by 2016/17
 - The Liability rate will remain at the same level as in 2014/15, which has remained the same since fiscal year 2007/08.
- Subsequent Events to the Adopted 2015/16 budget
 - Service Employees International Union (SEIU) settled in 2015/16 for an additional one-time 2.0% increase based on 2014/15 salaries earned and for 2015/16 a 5% salary increase. The District is currently in negotiations with all other employee organizations.
 - In July 2015, the District issued a refunding in the amount of \$14,555,000 of 2001 Series D and 2007 Refunding Obligations
 - In August 2015, the District issued Measure Q, Series E in the amount of \$54,998,095
 - In November 2010, a civil action was filed (Davis v. Fresno Unified School District) challenging the legality of a contract under the lease-leaseback arrangement. In September 2013, motions to dismiss were granted in favor of the District by the Superior Court. On June 1, 2015, the 5th District Court reversed the Superior Court Decision and was supported on August 26th by the California Supreme Court. The case may return to the trial court level where the remaining causes of action may be litigated and ultimately decided.
 - On August 28, 2015, the District was served federal grand jury subpoena relating to a United States Department of Justice investigation into potential violations of federal law. The scope of documents included specifically those relating to the lease-leaseback contracting method, the selection of contractors and consultants for school projects approved by a lease-leaseback contracting method and the use of Measure Q bond funds for school facility construction projects. The District will comply with the request. The District has not received notice of any other investigation or action relating to the foregoing.

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 in 2013-14. The Trust Fund increased by \$3.3 million and at the end of 2014/15 had an ending fund balance of \$26.3 million. In 2015-16, the District has planned \$3.5 million to be transferred to the health fund.

Management Discussion and Analysis

June 30, 2015

Net Pension Liability

The District contributes to the State Teachers' Retirement System (STRS) and Public Employment Retirement Systems (PERS) on behalf of employees. GASB 68 is a governmental accounting standard that direct how state and local governments will account for these pensions. GASB 68 requires all employers to recognize the long-term pension liability on their financial statements. The district has contributed the statutory contribution and does not make any investment decisions on the fund, these plans are governmental controlled plans.

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.

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, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 279,354,751	\$ 13,596,179	\$ 292,950,930
Receivables	26,512,114	2,323,551	28,835,665
Internal balances (Note 3)	7,273,443	(7,273,443)	-
Prepaid expenses	840,907	-	840,907
Stores inventory	2,483,397	943,516	3,426,913
Non-depreciable capital assets (Note 4)	120,651,212	-	120,651,212
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>630,188,153</u>	<u>2,113,538</u>	<u>632,301,691</u>
Total assets	<u>1,067,303,977</u>	<u>11,703,341</u>	<u>1,079,007,318</u>
DEFERRED OUTFLOWS			
Deferred outflows of resources - pensions (Notes 8 and 9)	39,347,448	1,157,226	40,504,674
Deferred loss from refunding of debt	<u>4,360,748</u>	<u>-</u>	<u>4,360,748</u>
Total deferred outflows	<u>43,708,196</u>	<u>1,157,226</u>	<u>44,865,422</u>
LIABILITIES			
Accounts payable and other current liabilities	80,940,718	1,499,231	82,439,949
Unearned revenue	3,945,869	-	3,945,869
Self-insurance claims liability (Note 5)	54,198,514	-	54,198,514
Long-term liabilities (Note 6):			
Due within one year	41,737,434	-	41,737,434
Due after one year	<u>1,234,103,898</u>	<u>9,408,180</u>	<u>1,243,512,078</u>
Total liabilities	<u>1,414,926,433</u>	<u>10,907,411</u>	<u>1,425,833,844</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>129,896,554</u>	<u>3,696,465</u>	<u>133,593,019</u>
NET POSITION			
Net investment in capital assets	330,091,672	2,113,538	332,205,210
Restricted (Note 7)	60,201,756	-	60,201,756
Unrestricted	<u>(824,104,242)</u>	<u>(3,856,847)</u>	<u>(827,961,089)</u>
Total net position	<u>\$ (433,810,814)</u>	<u>\$ (1,743,309)</u>	<u>\$ (435,554,123)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	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	\$ 462,229,412	\$ 2,127,008	\$ 106,921,248	\$ (370,927)	\$ (353,552,083)	\$ -	\$ (353,552,083)
Instruction-related services:							
Supervision of instruction	43,847,129	539,845	22,799,840	-	(20,507,444)	-	(20,507,444)
Instructional library, media and technology	9,480,523	2,026	282,969	-	(9,195,528)	-	(9,195,528)
School site administration	49,773,300	46,369	2,218,870	-	(47,508,061)	-	(47,508,061)
Pupil services:							
Home-to-school transportation	16,120,736	-	2,307,227	-	(13,813,509)	-	(13,813,509)
Food services	4,105,670	139	1,547,377	-	(2,558,154)	-	(2,558,154)
All other pupil services	44,767,027	145,996	16,542,323	-	(28,078,708)	-	(28,078,708)
General administration:							
Data processing	7,758,676	117,193	580,116	-	(7,061,367)	-	(7,061,367)
All other general administration	22,214,073	238,604	4,769,442	-	(17,206,027)	-	(17,206,027)
Plant services	83,235,000	23,791	3,152,510	-	(80,058,699)	-	(80,058,699)
Ancillary services	14,041,354	123	4,386,545	-	(9,654,686)	-	(9,654,686)
Community services	2,126,605	3,042	984,203	-	(1,139,360)	-	(1,139,360)
Enterprise activities	2,254,839	-	57,028	-	(2,197,811)	-	(2,197,811)
Interest on long-term liabilities	23,609,141	-	-	-	(23,609,141)	-	(23,609,141)
Other outgo	6,395,691	8,572	305,535	-	(6,081,584)	-	(6,081,584)
Depreciation (unallocated) (Note 4)	26,626,216	-	-	-	(26,626,216)	-	(26,626,216)
Business-type activities:							
Food services	44,301,707	330,495	44,705,513	-	-	734,301	734,301
All other general administration	1,504,808	11,023	1,492,156	-	-	(1,629)	(1,629)
Plant services	882,001	6,858	858,230	-	-	(16,913)	(16,913)
Enterprise services	218,210	1,697	212,327	-	-	(4,186)	(4,186)
Depreciation (Note 4)	384,459	-	-	-	-	(384,459)	(384,459)
Total governmental and business-type activities	<u>\$ 865,876,577</u>	<u>\$ 3,602,781</u>	<u>\$ 214,123,459</u>	<u>\$ (370,927)</u>	<u>(648,848,378)</u>	<u>327,114</u>	<u>(648,521,264)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					47,780,159	-	47,780,159
Taxes levied for debt service					34,067,181	-	34,067,181
Taxes levied for other specific purposes					276,025	-	276,025
Federal and state aid not restricted to specific purposes					508,708,375	-	508,708,375
Interest and investment earnings					2,697,827	-	2,697,827
Interagency transfers					526,892	-	526,892
Miscellaneous					7,267,617	-	7,267,617
Total general revenues					<u>601,324,076</u>	<u>-</u>	<u>601,324,076</u>
Change in net position					(47,524,302)	327,114	(47,197,188)
Net position, July 1, 2014					179,584,117	10,354,219	189,938,336
Cumulative effect of GASB 68 implementation					<u>(565,870,629)</u>	<u>(12,424,642)</u>	<u>(578,295,271)</u>
Net position, July 1, 2014, as restated					<u>(386,286,512)</u>	<u>(2,070,423)</u>	<u>(388,356,935)</u>
Net position, June 30, 2015					<u>\$ (433,810,814)</u>	<u>\$ (1,743,309)</u>	<u>\$ (435,554,123)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 95,102,361	\$ 77,633,053	\$ 5,361,085	\$ 28,691,185	\$ 16,050,915	\$ 222,838,599
Cash in revolving fund	62,647	-	-	-	-	62,647
Cash on hand and in banks	44,500	-	-	-	3,099	47,599
Receivables	23,586,816	270,500	37,003	81,485	2,371,374	26,347,178
Prepaid expenditures	33,005	-	-	-	-	33,005
Due from other funds	5,924,327	-	17,242,469	-	6,754,703	29,921,499
Stores inventory	2,483,397	-	-	-	-	2,483,397
	<u>127,237,053</u>	<u>77,903,553</u>	<u>22,640,557</u>	<u>28,772,670</u>	<u>25,180,091</u>	<u>281,733,924</u>
Total assets	<u>\$ 127,237,053</u>	<u>\$ 77,903,553</u>	<u>\$ 22,640,557</u>	<u>\$ 28,772,670</u>	<u>\$ 25,180,091</u>	<u>\$ 281,733,924</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 56,879,175	\$ -	\$ 9,286,896	\$ -	\$ 970,214	\$ 67,136,285
Unearned revenue	3,945,869	-	-	-	-	3,945,869
Due to other funds	642,373	16,821,242	1,485,104	-	12,964,910	31,913,629
	<u>61,467,417</u>	<u>16,821,242</u>	<u>10,772,000</u>	<u>-</u>	<u>13,935,124</u>	<u>102,995,783</u>
Total liabilities	<u>61,467,417</u>	<u>16,821,242</u>	<u>10,772,000</u>	<u>-</u>	<u>13,935,124</u>	<u>102,995,783</u>
Fund balances:						
Nonspendable	2,579,049	-	-	-	-	2,579,049
Restricted	2,977,984	61,082,311	11,868,557	28,772,670	11,244,967	115,946,489
Assigned	10,615,422	-	-	-	-	10,615,422
Unassigned	49,597,181	-	-	-	-	49,597,181
	<u>65,769,636</u>	<u>61,082,311</u>	<u>11,868,557</u>	<u>28,772,670</u>	<u>11,244,967</u>	<u>178,738,141</u>
Total fund balances	<u>65,769,636</u>	<u>61,082,311</u>	<u>11,868,557</u>	<u>28,772,670</u>	<u>11,244,967</u>	<u>178,738,141</u>
Total liabilities and fund balances	<u>\$ 127,237,053</u>	<u>\$ 77,903,553</u>	<u>\$ 22,640,557</u>	<u>\$ 28,772,670</u>	<u>\$ 25,180,091</u>	<u>\$ 281,733,924</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, 2015

Total fund balances - Governmental Funds \$ 178,738,141

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 \$1,073,805,187 and the accumulated depreciation is \$322,965,822 (Note 4). 750,839,365

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, 2015 consisted of (Note 6):

General Obligation Bonds	\$ (449,651,042)	
Unamortized premiums	(4,889,941)	
Accreted interest	(21,798,381)	
PG&E energy savings loans	(564,492)	
Public Agency Retirement System (PARS)	(7,776,794)	
Other postemployment benefits (Note 10)	(312,438,148)	
Net pension liability (Notes 8 and 9)	(475,974,820)	
Compensated absences	<u>(2,747,714)</u>	
		1,275,841,332)

Internal service funds are included in the government-wide financial statements. 5,337,577

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. 4,360,748

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	39,347,448	
Deferred inflows of resources relating to pensions	<u>(129,896,554)</u>	
		(90,549,106)

Unmatured interest on long-term liabilities is recognized in the period incurred. (6,696,207)

Total net position - governmental activities \$ (433,810,814)

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, 2015

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 495,650,968	\$ -	\$ -	\$ -	\$ -	\$ 495,650,968
Local sources	<u>45,513,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,513,018</u>
Total LCFF	<u>541,163,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,163,986</u>
Federal sources	67,636,487	-	-	-	3,032,793	70,669,280
Other state sources	88,845,704	-	(370,927)	482,645	9,239,280	98,196,702
Other local sources	<u>18,879,067</u>	<u>1,149,286</u>	<u>193,548</u>	<u>33,811,400</u>	<u>1,407,817</u>	<u>55,441,118</u>
Total revenues	<u>716,525,244</u>	<u>1,149,286</u>	<u>(177,379)</u>	<u>34,294,045</u>	<u>13,679,890</u>	<u>765,471,086</u>
Expenditures:						
Current:						
Certificated salaries	326,087,128	-	-	-	6,663,739	332,750,867
Classified salaries	100,616,156	-	579,176	-	3,953,507	105,148,839
Employee benefits	178,269,035	-	235,983	-	4,501,315	183,006,333
Books and supplies	39,452,473	-	158,457	-	1,002,146	40,613,076
Contract services and operating expenditures	65,260,330	462,988	2,334,286	-	6,093,670	74,151,274
Other outgo	3,932,703	-	-	-	-	3,932,703
Capital outlay	5,429,781	-	43,636,823	-	68,404	49,135,008
Debt service:						
Principal retirement	117,084	-	-	20,874,412	-	20,991,496
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,244,182</u>	<u>-</u>	<u>15,244,182</u>
Total expenditures	<u>719,164,690</u>	<u>462,988</u>	<u>46,944,725</u>	<u>36,118,594</u>	<u>22,282,781</u>	<u>824,973,778</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(2,639,446)</u>	<u>686,298</u>	<u>(47,122,104)</u>	<u>(1,824,549)</u>	<u>(8,602,891)</u>	<u>(59,502,692)</u>
Other financing sources (uses):						
Interfund transfers in	4,997,249	-	42,581,863	-	9,188,033	56,767,145
Interfund transfers out	(7,088,033)	(45,730,617)	-	-	(2,443,687)	(55,262,337)
Proceeds from issuance general obligation bonds	-	59,996,789	-	-	-	59,996,789
Debt issuance premium	<u>-</u>	<u>426,989</u>	<u>-</u>	<u>642,584</u>	<u>-</u>	<u>1,069,573</u>
Total other financing sources (uses)	<u>(2,090,784)</u>	<u>14,693,161</u>	<u>42,581,863</u>	<u>642,584</u>	<u>6,744,346</u>	<u>62,571,170</u>
Net change in fund balances	(4,730,230)	15,379,459	(4,540,241)	(1,181,965)	(1,858,545)	3,068,478
Fund balances, July 1, 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>
Fund balances, June 30, 2015	<u>\$ 65,769,636</u>	<u>\$ 61,082,311</u>	<u>\$ 11,868,557</u>	<u>\$ 28,772,670</u>	<u>\$ 11,244,967</u>	<u>\$ 178,738,141</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, 2015

Net change in fund balances - Total Governmental Funds \$ 3,068,478

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). \$ 55,599,768

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (26,626,216)

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). (59,996,789)

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). (829,442)

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). 20,991,496

Accreted interest is an expense that is not recorded in the governmental funds (Note 6). (7,730,509)

Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due. (585,460)

Activities of the internal service fund are reported with governmental activities. (7,059,415)

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 10). (30,951,220)

(Continued)

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, 2015

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 government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	(653,293)	
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>(122,283)</u>	<u>\$ (50,592,780)</u>
Change in net position of governmental activities		<u>\$ (47,524,302)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2015

ASSETS

Current assets:

Cash and investments (Note 2):	
Cash in County Treasury	\$ 54,405,906
Cash on hand and in banks	2,000,000
Receivables	164,936
Due from other funds (Note 3)	9,297,426
Prepaid expenditures	<u>807,902</u>
 Total current assets	 <u>66,676,170</u>

LIABILITIES

Current liabilities:

Accounts payable	7,108,226
Due to other funds (Note 3)	31,853
Self insurance claims liability (Note 5)	<u>54,198,514</u>
 Total current liabilities	 <u>61,338,593</u>

NET POSITION

Restricted (Note 7)	<u><u>\$ 5,337,577</u></u>
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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, 2015

Operating revenues:	
Self-insurance premiums	<u>\$ 143,906,536</u>
Operating expenses:	
Classified salaries	1,246,753
Employee benefits	577,890
Books and supplies	20,132
Contract services	<u>147,868,262</u>
Total operating expenses	<u>149,713,037</u>
Operating loss	<u>(5,806,501)</u>
Non-operating revenue (expense):	
Interest income	747,086
OPEB expense	<u>(2,000,000)</u>
Total non-operating expense	<u>(1,252,914)</u>
Change in net position	(7,059,415)
Net position, July 1, 2014	<u>12,396,992</u>
Net position, June 30, 2015	<u><u>\$ 5,337,577</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, 2015

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 133,026,960
Cash received from user charges	8,689,340
Cash paid for employee benefits	(146,109,189)
Cash paid for salaries	(1,824,643)
Cash paid for other expenses	<u>(20,132)</u>
Net cash used in operating activities	<u>(6,237,664)</u>
Cash flows from noncapital financing activities:	
OPEB expense	<u>(2,000,000)</u>
Cash flows from investing activities:	
Interest income received	<u>758,909</u>
Decrease in cash and investments	(7,478,755)
Cash and investments, July 1, 2014	<u>63,884,661</u>
Cash and investments, June 30, 2015	<u>\$ 56,405,906</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(5,806,501)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease (increase) in:	
Receivables	330,091
Amount due from other funds	(2,520,327)
Prepaid expenditures	(45,300)
Increase (decrease) in:	
Accounts payable	604,612
Amount due to other funds	(80,579)
Unpaid claims and claim adjustment expenses	<u>1,280,340</u>
Total adjustments	<u>(431,163)</u>
Net cash used in operating activities	<u>\$ (6,237,664)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES
June 30, 2015

ASSETS

Current assets:

Cash and investments (Note 2):

Cash in County Treasury	\$ 6,232,491
Cash on hand and in banks	7,363,688
Receivables	2,323,551
Due from other funds (Note 3)	5,943,554
Stores inventory	<u>943,516</u>

Total current assets 22,806,800

Capital assets (Note 4)	7,174,736
Less accumulated depreciation	<u>(5,061,198)</u>

Total assets 24,920,338

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 8 and 9)	<u>1,157,226</u>
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LIABILITIES

Current liabilities:

Accounts payable	1,499,231
Due to other funds (Note 3)	<u>13,216,997</u>

Total current liabilities 14,716,228

Net pension liability 9,408,180

Total liabilities 24,124,408

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions (Notes 8 and 9)	<u>3,696,465</u>
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NET POSITION

Net investment in capital assets	2,113,538
Unrestricted	<u>(3,856,847)</u>

Total net position \$ (1,743,309)

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, 2015

Operating revenues:	
Federal revenues	\$ 43,419,621
Other state revenues	3,288,947
Other local revenues	<u>626,401</u>
Total operating revenues	<u>47,334,969</u>
Operating expenses:	
Classified salaries	11,541,574
Employee benefits	7,003,805
Books and supplies	23,735,433
Contract services	3,121,108
Depreciation	<u>384,459</u>
Total operating expenses	<u>45,786,379</u>
Operating income	<u>1,548,590</u>
Non-operating revenue (expense):	
Interest income	283,332
Transfers out	<u>(1,504,808)</u>
Total non-operating expense	<u>(1,221,476)</u>
Change in net position	327,114
Total net position, July 1, 2014	10,354,219
Cumulative effect of GASB 68 implementation	<u>(12,424,642)</u>
Total net position, July 1, 2014, as restated	<u>(2,070,423)</u>
Total net position, June 30, 2015	<u><u>\$ (1,743,309)</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, 2015

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Cash flows from operating activities:	
Cash received from food sales	\$ 626,401
Cash received from Child Nutrition Programs	46,350,152
Cash paid for operating expenses	<u>(40,579,912)</u>
Net cash provided by operating activities	<u>6,396,641</u>
Cash flows from capital and financing activities:	
Proceeds from sale of capital assets	18,112
Net transfers out	<u>(1,504,808)</u>
Net cash used in capital and financing activities	<u>(1,486,696)</u>
Cash flows from investing activities:	
Interest income received	<u>289,904</u>
Increase in cash and investments	5,199,849
Cash and investments, July 1, 2014	<u>8,396,330</u>
Cash and investments, June 30, 2015	<u>\$ 13,596,179</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,548,590</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	384,459
Decrease (increase) in:	
Receivables	4,164,861
Amount due from other funds	(4,523,277)
Inventory	(234,391)
Deferred outflows of resources - pensions	(161,812)
(Decrease) increase in:	
Accounts payable	(329,645)
Pension liability	(4,011,876)
Amount due to other funds	5,863,267
Deferred inflows of resources - pensions	<u>3,696,465</u>
Total adjustments	<u>4,848,051</u>
Net cash provided by operating activities	<u>\$ 6,396,641</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2015

	<u>Trust Fund Retiree Benefits</u>	<u>Agency Fund Student Body</u>
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	\$ -	\$ 311,582
Cash on hand and in bank	-	1,632,358
Investments held by Fiscal Agent - CalPERS	26,247,632	-
Stores inventory	<u>-</u>	<u>19,169</u>
Total assets	<u>26,247,632</u>	<u>1,963,109</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>1,963,109</u>
NET POSITION		
Restricted (Note 7)	<u>\$ 26,247,632</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, 2015

Additions:	
Contributions - OPEB Trust	\$ 3,500,000
Deductions:	
Services and other operating expenses	23,574
Net change in fair value of investments	<u>159,330</u>
Total deductions	<u>182,904</u>
Change in net position	3,317,096
NET POSITION	
Net position, July 1, 2014	<u>22,930,536</u>
Net position, July 30, 2015	<u><u>\$ 26,247,632</u></u>

See accompanying notes to financial statements.

NOTE 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
June 30, 2015

NOTE 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 a capital project fund 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 a capital project fund 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 a debt service fund 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 Adult Education, Child Development, and Deferred Maintenance Funds.

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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 - Self Insurance Fund:

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.

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, 2015.

Stores Inventory: Stores inventory in the General 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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 has recognized a deferred loss on refunding reported, which is 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, 2015 totaled \$406,209. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the statement of net position reports 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 has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 28,705,329</u>	<u>\$ 11,799,345</u>	<u>\$ 40,504,674</u>
Deferred inflows of resources	<u>\$ 95,903,000</u>	<u>\$ 37,690,019</u>	<u>\$133,593,019</u>
Net pension liability	<u>\$389,455,000</u>	<u>\$ 95,928,000</u>	<u>\$485,383,000</u>
Pension expense	<u>\$ 39,337,283</u>	<u>\$ 6,933,468</u>	<u>\$ 46,270,751</u>

Based on the implementation of GASB Statement No. 68, the District has allocated 9.81 percent of the District's proportionate share of the PERF B net pension liability and related deferred inflows of resources and outflows of resources to the District's business-type activities.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$2,747,714 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.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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 restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, the District had no committed fund balances.

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, 2015, 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, 2015, 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.

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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 2012 GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB 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. GASB 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. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by \$565,870,629 and the District's July 1, 2014 business-type activities net position was restated by \$12,424,642 because of the recognition of the beginning of the year net pension liability and deferred outflow of resources.

In November 2013 GASB issued GASB 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 GASB 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 GASB 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. GASB 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 GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2015 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities	
	Governmental Funds	Proprietary Fund	Total		Agency Fund	Trust
Pooled Funds:						
Cash in County Treasury	\$ 222,838,599	\$ 54,405,906	\$ 277,244,505	\$ 6,232,491	\$ 311,582	\$ -
Investment held by Fiscal Agent - CalPERS	-	-	-	-	-	26,247,632
Total pooled funds	<u>222,838,599</u>	<u>54,405,906</u>	<u>277,244,505</u>	<u>6,232,491</u>	<u>311,582</u>	<u>26,247,632</u>
Deposits:						
Cash on hand and in banks	47,599	2,000,000	2,047,599	7,363,688	1,632,358	-
Cash in revolving fund	<u>62,647</u>	-	<u>62,647</u>	-	-	-
Total deposits	<u>110,246</u>	<u>2,000,000</u>	<u>2,110,246</u>	<u>7,363,688</u>	<u>1,632,358</u>	-
Total cash and investments	<u>\$ 222,948,845</u>	<u>\$ 56,405,906</u>	<u>\$ 279,354,751</u>	<u>\$ 13,596,179</u>	<u>\$ 1,943,940</u>	<u>\$ 26,247,632</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, 2015, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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, 2015, the carrying amount of the District's accounts was \$11,056,752 and the bank balances were \$12,045,595. The total uninsured bank balance at June 30, 2015 was \$10,873,985.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2015, the carrying amount of the District's accounts was \$49,540 and the bank balance was \$42,260, 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, 2015, 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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2015, 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, 2015, the District and Trust had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Retiree Benefits Trust Fund activity which is recorded as income of the Retiree Benefits Trust Fund and expenditures of the General Fund and Self Insurance Fund. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 5,924,327	\$ 642,373
Building	-	16,821,242
County School Facilities	17,242,469	1,485,104
Non-Major Funds:		
Adult Education	-	1,162,185
Child Development	2,685,088	8,836,542
Deferred Maintenance	2,389,118	178
Capital Facilities	71,939	177,812
Special Reserve for Capital Outlay Projects	1,608,558	2,787,083
Tax Override	-	1,110
Proprietary Fund:		
Self-Insurance	9,297,426	31,853
<u>Business-Type Activities</u>		
Cafeteria Fund	<u>5,943,554</u>	<u>13,216,997</u>
Total	<u>\$ 45,162,479</u>	<u>\$ 45,162,479</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 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 2014-2015 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 42,581,863
Transfer from the General Fund to the Adult Education Fund to support Adult Education as flexibility has been provided by the State.	3,939,279
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation as received in the General Fund.	3,148,754
Transfer from the Building Fund to the General Fund to contribute to Restricted Routine Maintenance.	3,148,754
Transfer from the Special Reserve for Capital Outlay Fund to the Deferred Maintenance Fund for eligible projects.	2,100,000
Transfer from Cafeteria Fund to the General Fund for indirect cost.	1,504,808
Transfer from Child Development Fund to the General Fund for indirect costs.	326,111
Transfer from Capital Facilities Fund to the General Fund for indirect costs.	13,030
Transfer from Adult Education Fund to the General Fund for indirect costs.	3,436
Transfer from the Tax Override Fund to the General Fund for tax adjustments.	<u>1,110</u>
	<u>\$ 56,767,145</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance July 1, <u>2014</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2015</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 55,465,234	\$ 5,671,335	\$ -	\$ 61,136,569
Work-in-process	92,250,195	55,408,903	(88,144,455)	59,514,643
Depreciable:				
Land improvements	61,668,738	9,340,531	(227,379)	70,781,890
Buildings	792,916,291	77,207,346	(5,092,289)	865,031,348
Equipment	<u>27,728,657</u>	<u>190,865</u>	<u>(10,578,785)</u>	<u>17,340,737</u>
Totals, at cost	<u>1,030,029,115</u>	<u>147,818,980</u>	<u>(104,042,908)</u>	<u>1,073,805,187</u>
Less accumulated depreciation:				
Land improvements	(31,032,677)	(3,024,807)	(227,379)	(33,830,105)
Buildings	(260,960,430)	(22,446,411)	(5,092,289)	(278,314,552)
Equipment	<u>(16,170,195)</u>	<u>(1,154,998)</u>	<u>(6,504,028)</u>	<u>(10,821,165)</u>
Total accumulated depreciation	<u>(308,163,302)</u>	<u>(26,626,216)</u>	<u>(11,823,696)</u>	<u>(322,965,822)</u>
Governmental activities capital assets, net	<u>\$ 721,865,813</u>	<u>\$ 121,192,764</u>	<u>\$ (92,219,212)</u>	<u>\$ 750,839,365</u>
<u>Business-Type Activities</u>				
Equipment	\$ 7,192,848	\$ -	\$ (18,112)	\$ 7,174,736
Less accumulated depreciation	<u>(4,676,739)</u>	<u>(384,459)</u>	<u>-</u>	<u>(5,061,198)</u>
Business-Type activities capital assets, net	<u>\$ 2,516,109</u>	<u>\$ (384,459)</u>	<u>\$ (18,112)</u>	<u>\$ 2,113,538</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2015 as follows:

Governmental activities:	
Unallocated	<u>\$ 26,626,216</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ 384,459</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 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, 2015, 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 \$869,754 is based on an actuarial estimate as of June 30, 2015, discounted at 0.5%. The workers' compensation claims liability of \$36,443,705 is based on an actuarial estimate as of June 30, 2015, discounted at 1.5%. The health claims liability of \$16,885,055 is based on an actuarial estimate as of June 30, 2015, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the claims liability for the years ended June 30, 2015 and 2014 were as follows:

	Property and <u>Liability</u>	Workers' Compen- <u>sation</u>	<u>Health</u>	<u>Total</u>
Claims liability at June 30, 2013	\$ 730,315	\$ 34,384,219	\$ 16,080,331	\$ 51,194,865
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>
Incurred claims	1,588,876	7,180,202	137,564,514	146,333,592
Paid claims	<u>(1,564,313)</u>	<u>(6,770,864)</u>	<u>(136,718,075)</u>	<u>(145,053,252)</u>
Claims liability at June 30, 2015	<u>\$ 869,754</u>	<u>\$ 36,443,705</u>	<u>\$ 16,885,055</u>	<u>\$ 54,198,514</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 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, 2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2015</u>
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	21,125,000	-	2,045,000	19,080,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	48,045,000	-	2,930,000	45,115,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	38,990,000	-	2,290,000	36,700,000
2001 Series D	4.125 - 5.0%	2005	2031*	31,000,000	7,450,000	-	-	7,450,000
2001 Series E	4.0 - 5.0%	2007	2031*	35,000,000	2,310,000	-	1,130,000	1,180,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	7,655,000	-	405,000	7,250,000
2001 Series F	5.48%	2009	2026	29,429,022	25,371,143	-	1,419,412	23,951,731
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	11,440,000	-	1,180,000	10,260,000
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	2041	55,570,915	55,570,915	-	-	55,570,915
2010 Measure Q Series B	2.0 - 5.25%	2011	2041	50,434,849	43,289,849	-	-	43,289,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	39,180,000	-	730,000	38,450,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	31,145,000	-	3,755,000	27,390,000
2010 Measure Q Series C	2% - 5.5%	2012	2046	54,997,540	50,095,385	-	4,990,000	45,105,385
2010 Measure Q Series D	3.56% - 5.11%	2014	2048	59,996,789	-	59,996,789	-	59,996,789
				<u>\$ 603,635,488</u>	<u>\$ 410,528,665</u>	<u>\$ 59,996,789</u>	<u>\$ 20,874,412</u>	<u>\$ 449,651,042</u>

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,740,000	543,242	3,283,242
2021-2023	<u>6,805,000</u>	<u>611,535</u>	<u>7,416,535</u>
	<u>\$ 19,080,000</u>	<u>\$ 4,783,027</u>	<u>\$ 23,863,027</u>

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,060,000	1,866,300	5,926,300
2021-2025	24,445,000	5,350,500	29,795,500
2026-2027	<u>2,770,000</u>	<u>159,000</u>	<u>2,929,000</u>
	<u>\$ 45,115,000</u>	<u>\$ 16,988,400</u>	<u>\$ 62,103,400</u>

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,960,000	1,339,926	4,299,926
2021-2025	17,220,000	4,307,866	21,527,866
2026-2028	<u>6,070,000</u>	<u>412,911</u>	<u>6,482,911</u>
	<u>\$ 36,700,000</u>	<u>\$ 12,752,897</u>	<u>\$ 49,452,897</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 323,969	\$ 323,969
2017	-	323,969	323,969
2018	-	323,969	323,969
2019	-	323,969	323,969
2020	-	323,969	323,969
2021-2025	1,575,000	1,586,375	3,161,375
2026-2030	5,875,000	1,119,234	6,994,234
2031	-	44,625	44,625
	<u>\$ 7,450,000</u>	<u>\$ 4,370,079</u>	<u>\$ 11,820,079</u>

The annual payments required to amortize the 2001, Series E, General Obligation Bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 1,180,000</u>	<u>\$ 23,600</u>	<u>\$ 1,203,600</u>

The annual payments required to amortize the 2007, Refunding 1995 Series B, General Obligation Bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	510,000	219,400	729,400
2021-2025	2,890,000	761,500	3,651,500
2026-2028	<u>2,030,000</u>	<u>135,380</u>	<u>2,165,380</u>
	<u>\$ 7,250,000</u>	<u>\$ 2,184,880</u>	<u>\$ 9,434,880</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,049,242	871,127	2,920,369
2021-2025	12,034,233	2,494,990	14,529,223
2026	<u>2,831,830</u>	<u>77,621</u>	<u>2,909,451</u>
	<u>\$ 23,951,731</u>	<u>\$ 7,963,743</u>	<u>\$ 31,915,474</u>

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, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,345,000	161,125	1,506,125
2021-2023	<u>3,870,000</u>	<u>212,475</u>	<u>4,082,475</u>
	<u>\$ 10,260,000</u>	<u>\$ 1,419,650</u>	<u>\$ 11,679,650</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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>
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	-	1,154,455	1,154,455
2021-2025	7,857,252	5,324,583	13,181,835
2026-2030	<u>21,004,121</u>	<u>2,252,987</u>	<u>23,257,108</u>
	<u>\$ 28,861,373</u>	<u>\$ 13,349,845</u>	<u>\$ 42,211,218</u>

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2025	\$ 1,464,249	\$ 1,905,752	\$ 3,370,001
2026-2030	12,482,750	23,037,249	35,519,999
2031-2035	18,926,861	59,148,139	78,075,000
2036-2040	16,753,507	82,116,201	98,869,708
2041-2042	<u>5,943,548</u>	<u>38,679,935</u>	<u>44,623,483</u>
	<u>\$ 55,570,915</u>	<u>\$ 204,887,276</u>	<u>\$ 260,458,191</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,190,000	761,050	1,951,050
2021-2025	15,590,000	2,050,687	17,640,687
2026-2027	<u>3,144,116</u>	<u>4,385,884</u>	<u>7,530,000</u>
	<u>\$ 20,819,116</u>	<u>\$ 10,453,921</u>	<u>\$ 31,273,037</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028-2030	\$ 4,066,043	\$ 7,963,956	\$ 12,029,999
2031-2035	8,696,959	26,803,041	35,500,000
2036-2040	7,163,530	35,112,737	42,276,267
2041-2042	<u>2,544,201</u>	<u>16,557,574</u>	<u>19,101,775</u>
	<u>\$ 22,470,733</u>	<u>\$ 86,437,308</u>	<u>\$ 108,908,041</u>

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,285,000	1,217,531	3,502,531
2021-2025	11,075,000	4,687,492	15,762,492
2026-2030	15,745,000	1,746,634	17,491,634
2031	<u>2,330,000</u>	<u>43,688</u>	<u>2,373,688</u>
	<u>\$ 38,450,000</u>	<u>\$ 13,432,046</u>	<u>\$ 51,882,046</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,890,000	276,775	5,166,775
2021-2022	<u>6,080,000</u>	<u>183,262</u>	<u>6,263,262</u>
	<u>\$ 27,390,000</u>	<u>\$ 2,674,240</u>	<u>\$ 30,064,240</u>

The annual payments required to amortize the 2010 Measure Q, Series C, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	1,707,200	1,707,200
2021-2025	-	8,536,000	8,536,000
2026-2030	-	8,536,000	8,536,000
2031-2035	3,923,454	17,552,546	21,476,000
2036-2040	3,566,735	21,949,264	25,515,999
2041-2045	6,575,196	50,345,446	56,920,642
2046-2047	<u>31,040,000</u>	<u>1,745,426</u>	<u>32,785,426</u>
	<u>\$ 45,105,385</u>	<u>\$ 117,200,682</u>	<u>\$ 162,306,067</u>

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FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 GO Bond Series D, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,690,000	\$ 1,857,728	\$ 7,547,728
2017	-	1,897,400	1,897,400
2018	-	1,897,400	1,897,400
2019	-	1,897,400	1,897,400
2020	-	1,897,400	1,897,400
2021-2025	-	9,487,000	9,487,000
2026-2030	-	9,487,000	9,487,000
2031-2035	4,664,014	15,732,986	20,397,000
2036-2040	4,707,775	19,554,224	24,261,999
2041-2045	14,580,000	7,970,250	22,550,250
2046-2048	<u>30,355,000</u>	<u>2,547,300</u>	<u>32,902,300</u>
	<u>\$ 59,996,789</u>	<u>\$ 74,226,088</u>	<u>\$ 134,222,877</u>

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.

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 688 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>	<u>Annual Payments</u>
2016	<u>\$ 7,776,794</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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:

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2016	\$ 117,084
2017	117,084
2018	96,933
2019	90,216
2020	90,216
2021-2024	<u>52,959</u>
Total payments remaining	<u>\$ 564,492</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2015 is shown below:

Governmental Activities:

	<u>Balance July 1, 2014 as Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 410,528,665	\$ 59,996,789	\$ 20,874,412	\$ 449,651,042	\$ 22,282,222
Unamortized premiums	4,060,499	1,069,573	240,131	4,889,941	244,947
Accreted interest	14,067,872	7,730,509	-	21,798,381	8,568,673
PARS	15,553,586	-	7,776,792	7,776,794	7,776,794
PG&E energy savings loans	681,576	-	117,084	564,492	117,084
Other postemployment benefits (Note 9)	281,486,928	67,918,805	36,967,585	312,438,148	-
Net pension liability (Notes 8 and 9)	599,513,969	-	123,539,149	475,974,820	-
Compensated absences	<u>2,625,431</u>	<u>122,283</u>	<u>-</u>	<u>2,747,714</u>	<u>2,747,714</u>
Totals	<u>\$1,328,518,526</u>	<u>\$ 136,837,959</u>	<u>\$ 189,515,153</u>	<u>\$1,275,841,332</u>	<u>\$ 41,737,434</u>

Business-Type Activities:

	<u>Balance July 1, 2014 as Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Net pension liability (Notes 8 and 9)	<u>\$ 13,420,056</u>	<u>\$ -</u>	<u>\$ 4,011,876</u>	<u>\$ 9,408,180</u>	<u>\$ -</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

NOTE 7 - NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

	Governmental <u>Activities</u>
Unspent categorical program revenues	\$ 2,977,984
Special revenues	1,852,579
Capital projects	21,260,946
Debt service	28,772,670
Self-insurance	<u>5,337,577</u>
	<u>\$ 60,201,756</u>
	Fiduciary <u>Activities</u>
Retiree benefits	<u>\$ 26,247,632</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 62,647	\$ -	\$ -	\$ -	\$ -	\$ 62,647
Prepaid expenditures	33,005	-	-	-	-	33,005
Stores inventory	<u>2,483,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,483,397</u>
Subtotal nonspendable	<u>2,579,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,579,049</u>
Restricted:						
Unspent categorical revenues	2,977,984	-	-	-	-	2,977,984
Special revenue	-	-	-	-	1,852,578	1,852,578
Capital projects	-	61,082,311	11,868,557	-	9,392,389	82,343,257
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,772,670</u>	<u>-</u>	<u>28,772,670</u>
Subtotal restricted	<u>2,977,984</u>	<u>61,082,311</u>	<u>11,868,557</u>	<u>28,772,670</u>	<u>11,244,967</u>	<u>115,946,489</u>
Assigned:						
Security one-time funds	3,015,270	-	-	-	-	3,015,270
Technology (Microsoft voucher)	2,340,079	-	-	-	-	2,340,079
High school facilities projects	1,058,502	-	-	-	-	1,058,502
Routine maintenance truck replacement	1,018,523	-	-	-	-	1,018,523
Transportation - fueling station	885,400	-	-	-	-	885,400
K-8 math adoption	824,761	-	-	-	-	824,761
Extended day one-time	496,097	-	-	-	-	496,097
Middle school rebranding	336,863	-	-	-	-	336,863
Technology one-time funds	215,045	-	-	-	-	215,045
Transportation - tank replacement	204,554	-	-	-	-	204,554
Parent university carryover	100,000	-	-	-	-	100,000
Chief academic reconfiguration	94,328	-	-	-	-	94,328
Athletics wrestling mats	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
Subtotal assigned	<u>10,615,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,615,422</u>
Unassigned:						
Designated for economic uncertainty	<u>49,597,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,597,181</u>
Total fund balances	<u>\$ 65,769,636</u>	<u>\$ 61,082,311</u>	<u>\$ 11,868,557</u>	<u>\$ 28,772,670</u>	<u>\$ 11,244,967</u>	<u>\$178,738,141</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

The CalSTRS member contribution rate increases effective for fiscal year 2014-15 and beyond are summarized in the table below:

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$28,705,329 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 389,455,000
State's proportionate share of the net pension liability associated with the District	<u>235,171,000</u>
Total	<u>\$ 624,626,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.666 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$39,337,283 and revenue of \$16,357,722 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	95,903,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>28,705,329</u>	<u>-</u>
Total	<u>\$ 28,705,329</u>	<u>\$ 95,903,000</u>

\$28,705,329 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 23,975,750
2017	\$ 23,975,750
2018	\$ 23,975,750
2019	\$ 23,975,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District’s proportionate share of the net pension liability	<u>\$607,058,000</u>	<u>\$389,455,000</u>	<u>\$208,013,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$11,799,345 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$95,928,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school Districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.845 percent, which was a decrease of 0.041 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$6,933,468. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	32,962,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,728,019
Contributions made subsequent to measurement date	<u>11,799,345</u>	<u>-</u>
Total	<u>\$ 11,799,345</u>	<u>\$ 37,690,019</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$11,799,345 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 9,816,506
2017	\$ 9,816,506
2018	\$ 9,816,506
2019	\$ 8,240,501

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

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District’s proportionate share of the net pension liability	<u>\$ 167,809,000</u>	<u>\$ 95,928,000</u>	<u>\$ 34,973,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 8 and 9, 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	16,889,215
Adjustment to annual required contribution	<u>(13,044,753)</u>
Annual OPEB cost (expense)	67,918,805
Contributions made	<u>(36,967,585)</u>
Increase in net OPEB obligation	30,951,220
Net OPEB obligation - beginning of year	<u>281,486,928</u>
Net OPEB obligation - end of year	<u><u>\$ 312,438,148</u></u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 - 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, 2015 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, 2013	\$ 71,531,445	38.5%	\$ 265,639,290
June 30, 2014	\$ 66,210,639	45.3%	\$ 281,486,928
June 30, 2015	\$ 67,918,805	53.9%	\$ 312,438,148

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.

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, 2015, was 28 years.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - 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, 2014 (the most recent information available):

Total assets	\$ 87,156,878
Deferred outflows of resources	\$ 26,140,267
Total liabilities	\$ 111,742,877
Net position	\$ 1,554,268
Total revenues	\$ 4,900,399
Total expenses	\$ 5,148,840

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.

NOTE 12 - 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.

Construction Commitments: As of June 30, 2015, the District has \$31.4 million in outstanding commitments on construction contracts.

NOTE 13 - 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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - FINANCIAL RESPONSIBILITY (Continued)

The District continues to maintain a positive reserve in the current and future years as shown in the 2015/16 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.

NOTE 14 - SUBSEQUENT EVENTS

In July 2015, the District issued General Obligation Refunding Bonds in the aggregate principal amount of \$14,555,000. The Refunding Bonds are being issued for the purpose of refunding all or a portion of its General Obligation Bonds, Election 2001, Series D, and 2007 Refunding General Obligation Bonds, and to pay costs of issuing the Refunding Bonds. The Refunding Bonds will bear an interest rate ranging from 2.0% to 5.0% and mature through August 1, 2030.

In September 2015, the District issued General Obligation Bonds, Election of 2010, Measure Q Series E in the aggregate principal amount of \$54,998,095. The Series E 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 E Bonds are authorized to be issued as Current Interest Bonds and Capital Appreciation Bonds. The Series E Bonds will bear an interest rate ranging from 2.0% to 5.0% and mature through August 2045.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	<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	\$ 489,583,237	\$ 498,854,070	\$ 495,650,968	\$ (3,203,102)
Local sources	<u>40,365,415</u>	<u>40,365,415</u>	<u>45,513,018</u>	<u>5,147,603</u>
Total LCFF	<u>529,948,652</u>	<u>539,219,485</u>	<u>541,163,986</u>	<u>1,944,501</u>
Federal sources	77,282,452	78,515,444	67,636,487	(10,878,957)
Other state sources	69,906,820	93,180,113	88,845,704	(4,334,409)
Other local sources	<u>18,422,095</u>	<u>23,050,744</u>	<u>18,879,067</u>	<u>(4,171,677)</u>
Total revenues	<u>695,560,019</u>	<u>733,965,786</u>	<u>716,525,244</u>	<u>(17,440,542)</u>
Expenditures:				
Certificated salaries	339,049,159	330,946,133	326,087,128	4,859,005
Classified salaries	101,677,951	101,124,212	100,616,156	508,056
Employee benefits	165,317,412	181,396,670	178,269,035	3,127,635
Books and supplies	43,202,724	51,895,400	39,452,473	12,442,927
Contract services and operating expenditures	68,095,258	81,676,492	65,260,330	16,416,162
Capital outlay	8,728,705	9,160,072	5,429,781	3,730,291
Other outgo	2,104,936	2,342,492	3,932,703	(1,590,211)
Debt service:				
Principal retirement	<u>117,084</u>	<u>117,084</u>	<u>117,084</u>	<u>-</u>
Total expenditures	<u>728,293,229</u>	<u>758,658,555</u>	<u>719,164,690</u>	<u>39,493,865</u>
Deficiency of revenues under expenditures	<u>(32,733,210)</u>	<u>(24,692,769)</u>	<u>(2,639,446)</u>	<u>22,053,323</u>
Other financing sources (uses):				
Operating transfers in	5,043,934	5,219,738	4,997,249	(222,489)
Operating transfers out	<u>(8,744,245)</u>	<u>(7,924,761)</u>	<u>(7,088,033)</u>	<u>836,728</u>
Total other financing uses	<u>(3,700,311)</u>	<u>(2,705,023)</u>	<u>(2,090,784)</u>	<u>614,239</u>
Net change in fund balance	(36,433,521)	(27,397,792)	(4,730,230)	22,667,562
Fund balance, July 1, 2014	<u>70,499,866</u>	<u>70,499,866</u>	<u>70,499,866</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 34,066,345</u>	<u>\$ 43,102,074</u>	<u>\$ 65,769,636</u>	<u>\$ 22,667,562</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, 2015

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%

<u>Schedule of Employer Contributions</u>				
<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Contributions</u>	<u>Percentage of ARC Contributed</u>	
July 1, 2009	\$ 79,177,540	\$ 34,978,526	44%	
July 1, 2012	\$ 70,539,895	\$ 32,370,397	46%	
July 1, 2013	\$ 64,074,343	\$ 50,363,001	79%	

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.666%
District's proportionate share of the net pension liability	389,455,000
State's proportionate share of the net pension liability associated with the District	<u>235,171,000</u>
Total net pension liability	<u>\$ 624,626,000</u>
District's covered-employee payroll	296,840,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.845%
District's proportionate share of the net pension liability	95,928,000
District's covered-employee payroll	88,704,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	28,705,329
Contributions in relation to the contractually required contribution	28,705,329
Contribution deficiency (excess)	-
District's covered-employee payroll	323,258,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	11,799,345
Contributions in relation to the contractually required contribution	11,799,345
Contribution deficiency (excess)	-
District's covered-employee payroll	100,241,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 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.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of District Contributions

The Schedule of District Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2015

	Adult Education Fund	Child Develop- ment Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Tax Override Fund	Total
ASSETS							
Cash in County Treasury	\$ 161,798	\$ 5,047,277	\$ 135,964	\$ 4,444,718	\$ 6,260,059	\$ 1,099	\$ 16,050,915
Cash on hand and in banks	3,099	-	-	-	-	-	3,099
Receivables	1,172,032	1,160,542	623	15,909	22,257	11	2,371,374
Due from other funds	-	2,685,088	2,389,118	71,939	1,608,558	-	6,754,703
	<u>1,336,929</u>	<u>8,892,907</u>	<u>2,525,705</u>	<u>4,532,566</u>	<u>7,890,874</u>	<u>1,110</u>	<u>25,180,091</u>
Total assets	<u>\$ 1,336,929</u>	<u>\$ 8,892,907</u>	<u>\$ 2,525,705</u>	<u>\$ 4,532,566</u>	<u>\$ 7,890,874</u>	<u>\$ 1,110</u>	<u>\$ 25,180,091</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 174,744	\$ 56,365	\$ 672,949	\$ 65,958	\$ 198	\$ -	\$ 970,214
Due to other funds	1,162,185	8,836,542	178	177,812	2,787,083	1,110	12,964,910
	<u>1,336,929</u>	<u>8,892,907</u>	<u>673,127</u>	<u>243,770</u>	<u>2,787,281</u>	<u>1,110</u>	<u>13,935,124</u>
Total liabilities	<u>1,336,929</u>	<u>8,892,907</u>	<u>673,127</u>	<u>243,770</u>	<u>2,787,281</u>	<u>1,110</u>	<u>13,935,124</u>
Fund balances, restricted	-	-	1,852,578	4,288,796	5,103,593	-	11,244,967
	<u>-</u>	<u>-</u>	<u>1,852,578</u>	<u>4,288,796</u>	<u>5,103,593</u>	<u>-</u>	<u>11,244,967</u>
Fund balances, restricted	<u>-</u>	<u>-</u>	<u>1,852,578</u>	<u>4,288,796</u>	<u>5,103,593</u>	<u>-</u>	<u>11,244,967</u>
Total liabilities and fund balances	<u>\$ 1,336,929</u>	<u>\$ 8,892,907</u>	<u>\$ 2,525,705</u>	<u>\$ 4,532,566</u>	<u>\$ 7,890,874</u>	<u>\$ 1,110</u>	<u>\$ 25,180,091</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, 2015

	Adult Education Fund	Child Develop- ment Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Tax Override Fund	Total
Revenues:							
Federal sources	\$ 1,463,325	\$ 1,569,468	\$ -	\$ -	\$ -	\$ -	\$ 3,032,793
Other state sources	329,795	8,909,481	-	-	-	4	9,239,280
Other local sources	<u>758,060</u>	<u>66,767</u>	<u>1,757</u>	<u>502,367</u>	<u>77,760</u>	<u>1,106</u>	<u>1,407,817</u>
Total revenues	<u>2,551,180</u>	<u>10,545,716</u>	<u>1,757</u>	<u>502,367</u>	<u>77,760</u>	<u>1,110</u>	<u>13,679,890</u>
Expenditures:							
Certificated salaries	2,564,427	4,099,312	-	-	-	-	6,663,739
Classified salaries	1,245,650	2,613,284	-	61,278	33,295	-	3,953,507
Employee benefits	1,445,852	3,017,907	-	26,875	10,681	-	4,501,315
Books and supplies	473,222	309,045	55,483	164,396	-	-	1,002,146
Contract services and operating expenditures	768,692	183,057	3,342,450	1,788,443	11,028	-	6,093,670
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,404</u>	<u>-</u>	<u>-</u>	<u>68,404</u>
Total expenditures	<u>6,497,843</u>	<u>10,222,605</u>	<u>3,397,933</u>	<u>2,109,396</u>	<u>55,004</u>	<u>-</u>	<u>22,282,781</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(3,946,663)</u>	<u>323,111</u>	<u>(3,396,176)</u>	<u>(1,607,029)</u>	<u>22,756</u>	<u>1,110</u>	<u>(8,602,891)</u>
Other financing sources (uses):							
Operating transfers in	3,939,279	-	5,248,754	-	-	-	9,188,033
Operating transfers out	<u>(3,436)</u>	<u>(326,111)</u>	<u>-</u>	<u>(13,030)</u>	<u>(2,100,000)</u>	<u>(1,110)</u>	<u>(2,443,687)</u>
Total other financing sources (uses)	<u>3,935,843</u>	<u>(326,111)</u>	<u>5,248,754</u>	<u>(13,030)</u>	<u>(2,100,000)</u>	<u>(1,110)</u>	<u>6,744,346</u>
Net change in fund balances	(10,820)	(3,000)	1,852,578	(1,620,059)	(2,077,244)	-	(1,858,545)
Fund balances, July 1, 2014	<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>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,852,578</u>	<u>\$ 4,288,796</u>	<u>\$ 5,103,593</u>	<u>\$ -</u>	<u>\$ 11,244,967</u>

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 79,540	\$ 1,396,135	\$ 1,181,939	\$ 293,736
Cash on hand and in banks	426,149	1,310,371	1,520,221	216,299
Stores inventory	<u>-</u>	<u>18,816</u>	<u>18,335</u>	<u>481</u>
Total assets	<u>\$ 505,689</u>	<u>\$ 2,725,322</u>	<u>\$ 2,720,495</u>	<u>\$ 510,516</u>
Liabilities:				
Due to student groups	<u>\$ 505,689</u>	<u>\$ 2,725,322</u>	<u>\$ 2,720,495</u>	<u>\$ 510,516</u>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	234,247	994,178	958,501	269,924
Stores inventory	<u>3,161</u>	<u>96,652</u>	<u>98,543</u>	<u>1,270</u>
Total assets	<u>\$ 237,408</u>	<u>\$ 1,090,830</u>	<u>\$ 1,057,044</u>	<u>\$ 271,194</u>
Liabilities:				
Due to student groups	<u>\$ 237,408</u>	<u>\$ 1,090,830</u>	<u>\$ 1,057,044</u>	<u>\$ 271,194</u>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	14,960	630	7,193	8,397
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 14,960</u>	<u>\$ 630</u>	<u>\$ 7,193</u>	<u>\$ 8,397</u>
Liabilities:				
Due to student groups	<u>\$ 14,960</u>	<u>\$ 630</u>	<u>\$ 7,193</u>	<u>\$ 8,397</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ 48,891	\$ 31,045	\$ 17,846
Cash on hand and in banks	1,143,622	2,460,607	2,466,491	1,137,738
Stores inventory	<u>20,081</u>	<u>92,841</u>	<u>95,504</u>	<u>17,418</u>
Total assets	<u>\$ 1,163,703</u>	<u>\$ 2,602,339</u>	<u>\$ 2,593,040</u>	<u>\$ 1,173,002</u>
Liabilities:				
Due to student groups	<u>\$ 1,163,703</u>	<u>\$ 2,602,339</u>	<u>\$ 2,593,040</u>	<u>\$ 1,173,002</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 79,540	\$ 1,445,026	\$ 1,212,984	\$ 311,582
Cash on hand and in banks	1,818,978	4,765,786	4,952,406	1,632,358
Stores inventory	<u>23,242</u>	<u>208,309</u>	<u>212,382</u>	<u>19,169</u>
Total assets	<u>\$ 1,921,760</u>	<u>\$ 6,419,121</u>	<u>\$ 6,377,772</u>	<u>\$ 1,963,109</u>
Liabilities:				
Due to student groups	<u>\$ 1,921,760</u>	<u>\$ 6,419,121</u>	<u>\$ 6,377,772</u>	<u>\$ 1,963,109</u>

FRESNO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

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-six elementary, fifteen middle, nine comprehensive high schools, four alternative schools, three special education and one Adult Education 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, 2015 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Lindsay Cal Johnson	President	2018
Christopher De La Cerda	Clerk	2018
Brooke Ashjian	Member	2018
Luis A. Chavez	Member	2016
Valerie F. Davis	Member	2018
Carol Mills, J.D.	Member	2016
Janet Ryan	Member	2016

The Superintendent's Executive Staff at June 30, 2015 was comprised of the following:

Michael E. Hanson Superintendent		
Ruth F. Quinto Deputy Superintendent / Chief Financial Officer Administrative Services	Rosario Sanchez Associate Superintendent Curriculum & Instruction	William Belanger Assistant Superintendent Facilities Management & Planning
Kim Mecum Chief Academic Officer	Ed Gomes Instructional Superintendent School Leadership	Cheryl Hunt Assistant Superintendent Special Education & Health Svcs
Paul Idsvoog Chief Executive	Misty Her Instructional Superintendent School Leadership	Holland Locker Assistant Superintendent School Leadership
Jorge Aguilar Associate Superintendent Equity and Access, REA and Acct	Katie Russell Instructional Superintendent School Leadership	Maria Maldonado Assistant Superintendent English Learner Services
Karin Temple Chief Operations Officer	Brian Wall Instructional Superintendent School Leadership	Julie Severns Assistant Superintendent Professional Learning
Kurt Madden Chief Technology Officer	Melissa Dutra Instructional Superintendent Curriculum and Instruction	Jacque Canfield Executive Officer
Amy Idsvoog Acting Chief Information Officer Communication Office	David Chavez Chief of Staff	Kim Kelstrom Director, Fiscal Services

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015

	<u>Second Period Report</u>	<u>Revised Second Period Report*</u>	<u>Annual Report</u>
Elementary:			
Transitional Kindergarten through Third	23,365	23,372	23,334
Fourth through Sixth	15,995	16,000	15,963
Seventh and Eighth	<u>9,721</u>	<u>9,721</u>	<u>9,661</u>
Subtotal Elementary	<u>49,081</u>	<u>49,093</u>	<u>48,958</u>
Secondary:			
Ninth through Twelfth	<u>17,429</u>	<u>17,441</u>	<u>17,238</u>
Subtotal Secondary	<u>17,429</u>	<u>17,441</u>	<u>17,238</u>
District Total	<u><u>66,510</u></u>	<u><u>66,534</u></u>	<u><u>66,196</u></u>

* Reflects the adjustment for disallowance of 1.45 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, 2015

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2014-2015 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>District:</u>					
Kindergarten	36,000	35,000	47,240	180	In Compliance
Grade 1	50,400	49,000	55,335	180	In Compliance
Grade 2	50,400	49,000	55,329	180	In Compliance
Grade 3	50,400	49,000	55,145	180	In Compliance
Grade 4	54,000	52,500	55,329	180	In Compliance
Grade 5	54,000	52,500	55,329	180	In Compliance
Grade 6	54,000	52,500	55,329	180	In Compliance
Grade 7	54,000	52,500	57,900	180	In Compliance
Grade 8	54,000	52,500	57,900	180	In Compliance
Grade 9	64,800	63,000	64,800	180	In Compliance
Grade 10	64,800	63,000	64,800	180	In Compliance
Grade 11	64,800	63,000	64,800	180	In Compliance
Grade 12	64,800	63,000	64,800	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, 2015

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<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	\$ 37,760,207
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>109,151</u>
	Subtotal NCLB: Title I Programs		<u>37,869,358</u>
	Special Education Cluster:		
84.027	IDEA Local Assistance, Early Intervening Services Part B, Sec. 611	10119	1,990,548
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	11,250,074
84.027	IDEA Local Assistance, Private School ISPs Part B, Sec. 611	10115	29,696
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	569,039
84.027	IDEA Preschool Local Entitlement, Early Intervening Services, Part B, Sec. 611 (Age 3-5)	10132	82,627
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	314,195
84.173	IDEA Preschool Grants, Early Intervening Services, Part B, Sec. 619 Age (3-5)	10131	47,675
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	797,734
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	<u>2,191</u>
	Subtotal Special Education Cluster		<u>15,083,779</u>
	School Improvement Grant Cluster:		
84.377	NCLB: Title I, School Improvement Grant	15127	15,711
84.388	ARRA: NCLB: Title I, School Improvement Grant (SIG)	15020	<u>563,795</u>
	Subtotal School Improvement Grant Cluster		<u>579,506</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<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 Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u> (Continued)			
	Migrant Ed Programs:		
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	212,108
84.011	NCLB: Title I, Migrant Ed Summer Program	10005	<u>28,408</u>
	Subtotal Migrant Ed Programs		<u>240,516</u>
	Title III Cluster:		
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	2,115,078
84.365	NCLB: Title III, Immigrant Student Program	15146	<u>49,921</u>
	Subtotal Title III Cluster		<u>2,164,999</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	592,825
84.002	Adult Education: Adult Secondary Education	13978	480,294
84.002A	Adult Education: English Literacy and Civics Education	14109	174,834
84.002	Adult Education: Citizenship and Integration Direct Services Grant Program	-	<u>107,172</u>
	Subtotal Adult Education Programs		<u>1,355,125</u>
	Carl D. Perkins Career and Tech Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	1,093,366
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	<u>108,200</u>
	Subtotal Carl D. Perkins Career and Tech Education Programs		<u>1,201,566</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<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 Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u> (Continued)			
	Teacher Program Cluster:		
84.350	Teacher Quality Partnership Program	-	454,899
84.350	Transition to Teaching	-	<u>471,769</u>
	Subtotal Teacher Program Cluster		<u>926,668</u>
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	4,795,915
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	787,625
84.215L	Elementary and Secondary School Counseling	-	232,157
84.060	Indian Education	10011	50,825
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	100,208
	Total U.S. Department of Education		<u>65,388,247</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	-	142,841
93.596	Child Development: Federal General and Preschool, Family Child Care Home	13609	1,569,468
93.778	Department of Health Services: Medi-Cal Billing Option	10013	<u>2,211,854</u>
	Total U.S. Department of Health and Human Services		<u>3,924,163</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	2,743,747
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	39,974,346
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,593,407</u>
	Total U.S. Department of Agriculture		<u>44,311,500</u>
	Total Federal Programs		<u>\$ 113,623,910</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, 2015

	<u>Cafeteria Fund</u>
June 30, 2015 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 10,204,110
Adjustment for implementation of GASB 68	<u>(11,947,419)</u>
June 30, 2015 Audit Financial Statements Ending Fund Balance	<u>\$ (1,743,309)</u>

There were no adjustments proposed to any other 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, 2015
(UNAUDITED)

	(Adopted Budget) 2016	2015	2014	2013
<u>General Fund</u>				
Revenues and other financing sources	<u>\$830,668,592</u>	<u>\$721,522,493</u>	<u>\$642,406,557</u>	<u>\$613,464,622</u>
Expenditures	803,886,782	719,164,690	645,940,722	609,932,546
Other uses and transfers out	<u>35,602,949</u>	<u>7,088,033</u>	<u>4,636,610</u>	<u>6,736,263</u>
Total outgo	<u>839,489,731</u>	<u>726,252,723</u>	<u>650,577,332</u>	<u>616,668,809</u>
Change in fund balance	<u>\$ (8,821,139)</u>	<u>\$ (4,730,230)</u>	<u>\$ (8,170,775)</u>	<u>\$ (3,204,187)</u>
Ending fund balance	<u>\$ 56,948,497</u>	<u>\$ 65,769,636</u>	<u>\$ 70,499,866</u>	<u>\$ 78,670,641</u>
Available reserves	<u>\$ 48,466,916</u>	<u>\$ 49,597,181</u>	<u>\$ 51,718,780</u>	<u>\$ 66,570,939</u>
Designated for economic uncertainties	<u>\$ 38,573,742</u>	<u>\$ 49,597,181</u>	<u>\$ 51,718,780</u>	<u>\$ 66,570,939</u>
Undesignated fund balance	<u>\$ 9,893,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>5.77%</u>	<u>6.83%</u>	<u>7.95%</u>	<u>10.80%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$1,298,510,173</u>	<u>\$1,275,841,332</u>	<u>\$729,004,557</u>	<u>\$679,945,767</u>
Average daily attendance at P-2	<u>66,558</u>	<u>66,534</u>	<u>66,317</u>	<u>66,271</u>

The General Fund fund balance has decreased by \$16,105,192 over the past three years. The fiscal year 2015-16 budget projects a decrease of \$8,821,139. 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, 2015, the District has met this requirement.

The District has incurred operating deficits in the past three years, and anticipates an operating deficit in fiscal year 2015-16.

Total long-term liabilities have increased by \$595,895,565 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 263 over the past two years. An increase of 24 ADA is projected for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Fresno Academy of Civic and Entrepreneurial Leadership	Separate Report
Dailey Elementary Charter School	Separate Report
Kepler Neighborhood School	Separate Report
School of Unlimited Learning	Separate Report
Carter G. Woodson Public Charter	Separate Report
Valley Preparatory Academy	Separate Report
Valley Arts and Science Academy	Separate Report
University High School	Separate Report
Sierra Charter School	Separate Report

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2015

NOTE 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, 2015.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 114,088,901
Less: Child Nutrition: CACFP Claims, Centers and Family Day Care Homes funds received in excess of expenditures	10.558	(700,680)
Add: Medi-Cal Billing funds expended in excess of revenues	93.778	443,222
Less: Advanced Placement reimbursements received in excess of expenditures	84.330	<u>(207,533)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 113,623,910</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

NOTE 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 2015-2016 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.

NOTE 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, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below
CART - Education Code Section 42238.20	Yes

(Continued)

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 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 Charter schools because the District did not include any charter schools in this report.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 2015-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Fresno Unified School District did not comply with requirements regarding Independent Study. Compliance with such requirements is necessary, in our opinion, for Fresno Unified School District to comply with state laws and regulations applicable to Independent Study.

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, 2015. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 9, 2015

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, 2015, 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 9, 2015.

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 2015-001.

(Continued)

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 9, 2015

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, 2015. 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, 2015.

(Continued)

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 9, 2015

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition: School Programs (NSL Sec. 11)

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 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:

- Deposits are not supported by detailed schedules to define the number of items sold and the price per item.
- Monthly report of financial transactions are not prepared at the individual club level.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Deposits should be supported by detailed schedules defining the number of items receipted and the unit price per item.
- Monthly bank reconciliations should be reviewed by the site Principal and evidenced by a signature or initial.
- Monthly report of financial transactions should be prepared for each club and reviewed by both the club advisor and site Principal.

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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-002 STATE COMPLIANCE - INDEPENDENT STUDY (40000)

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.

California Education Code Section 51747 - Paragraph 8 (A) - Each written agreement shall be signed, before the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil. For purposes of this paragraph "caregiver" means a person who has met the requirements of Part 1.5 (commencing with Section 6550) of the Family Code.

Condition

At JE Young Independent School:

- The number of days reported for four students were overstated by five days. The student files did not have the appropriate assignment records to support the attendance days claimed.
- Attendance was claimed for four students prior to the written agreement being signed by all required parties, resulting in an overstatement of five days of attendance.

Effect

The error resulted in an overstatement of 10 days of attendance. The extrapolated effect of this error is equivalent to 1.45 independent study ADA.

Cause

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

Fiscal Impact

The fiscal impact of the overstatement of ADA is approximately \$11,000.

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, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2014-001</p> <p>At various school sites:</p> <ul style="list-style-type: none"> • 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. • 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. 	<p>Partially implemented.</p>	<p>See current year finding 2015-001.</p>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-002 <ul style="list-style-type: none">• 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. <p>The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.</p>	Fully implemented.	
2014-003 <p>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.</p> <p>The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.</p>	Fully implemented.	