

FRESNO UNIFIED SCHOOL DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2013

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

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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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. The District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. 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 17 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 64 and 65 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures 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 financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 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 4, 2013



Fresno Unified School District

Preparing Career Ready Graduates

BOARD OF EDUCATION

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SUPERINTENDENT

Michael E. Hanson

December 11, 2013

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, 2013, 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 \$78,670,641.

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.

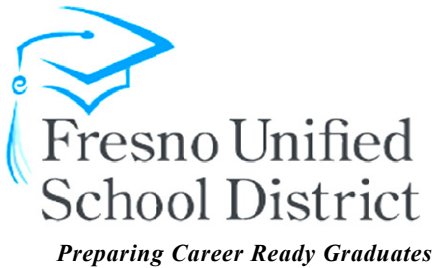
The financial statements for the year ended June 30, 2013 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully,

Ruth F. Quinto
Deputy Superintendent/Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013



We, the management of the Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparison between fiscal year 2012/13 and fiscal year 2011/12.

FINANCIAL HIGHLIGHTS

- The primary government has net position in governmental activities totaling \$208 million at June 30, 2013.
- Business-type activities have a net position surplus of \$12 million.
- The total net position of the District increased by \$18 million during fiscal year 2012/13. This is mainly due to continued construction of new capital assets as a result of Measure K and Measure Q Construction bond funding offset by increased post-retirement benefits and reduction in state revenues due to the re-appropriation of state deferrals.
- The total net position of the District's business-type activity for Food Services decreased by 18% mainly due to increased food costs and lease payments which will expire in 2028.
- Fund balance of the District's governmental funds decreased by \$42 million resulting in an ending fund balance of \$175 million. The majority of the decrease is due to the utilization of Measure Q capital facility projects.
- At the end of the 2012/13 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by \$3 million resulting in an ending fund balance of \$79 million. This was mainly due to the strategically planned utilization of the fund balance in 2012/13.
- GASB 45 requires an actuarial valuation of the District's Retiree Health Benefits Plan. The District is required to recognize the Annual Retirement Contribution (ARC) on an annual basis for 30 years. The ARC of \$71 million for 2012/13 offset with the 2012/13 actual healthcare costs of \$32 million for District retirees and covered dependents. The change of \$39 million is included as an increased liability. This is the sixth year the District has recognized the liability of \$266 million.
- The District's long-term obligations increased by \$25 million to \$680 million mainly as a result of 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 2012/13 as reflected by the affirmation of Moody's credit rating of Aa3 issued in August 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

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

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

The *Government-wide Financial Statements* also include information on component units that are legally separate from the District (known as the primary government). The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position* and a *Statement of Changes in Fiduciary Net Position*. We exclude these activities from the District's *Government-wide Financial Statements* because the District cannot use these assets to finance its operations.

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

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

The District maintains 11 different governmental funds. The major funds are the General, Building and County School Facilities 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 *Fund Financial Statements* to demonstrate compliance with the adopted budget.

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

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

The enterprise fund is the Cafeteria Fund and is considered to be a major fund. Individual internal service fund information is presented in the *Fund Financial Statements* as the Statement of Fund Net Position, Statement of Changes in 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.

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

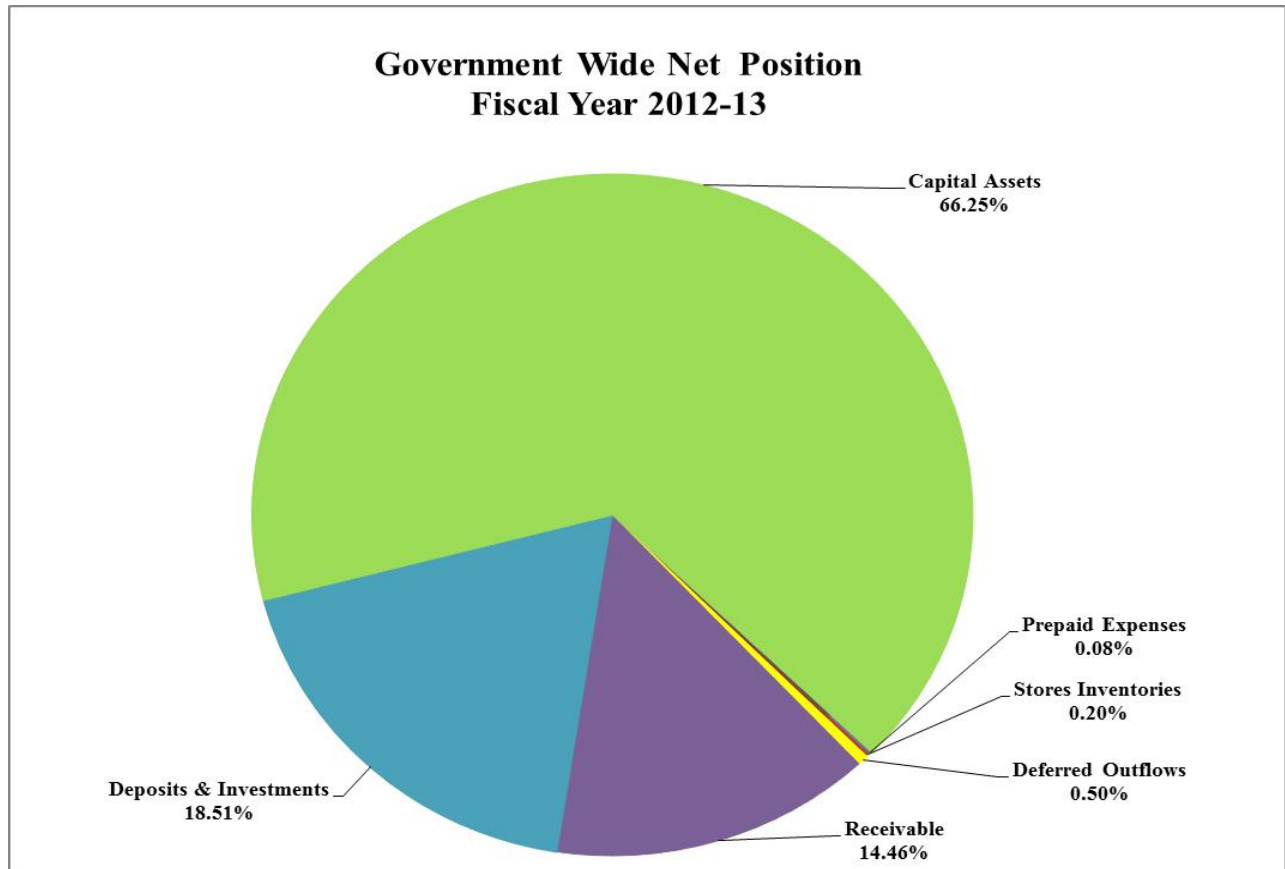
In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Change
	2013	2012	2013	2012	2013	2012	
Current and other assets	330,381,979	\$374,630,324	\$10,525,552	\$12,562,620	\$340,907,531	\$387,192,944	-11.95%
Capital assets	676,979,525	602,814,693	2,218,825	2,443,018	679,198,350	605,257,711	12.22%
Total Assets	1,007,361,504	977,445,017	12,744,377	15,005,638	1,020,105,881	992,450,655	2.79%
Deferred Outflows	5,173,166	-	-	-	5,173,166	-	NA
Current liabilities	124,757,987	135,131,315	1,161,101	784,055	125,919,088	135,915,370	-7.35%
Long-term liabilities	679,945,767	654,815,119	-	-	679,945,767	654,815,119	3.84%
Total Liabilities	804,703,754	789,946,434	1,161,101	784,055	805,864,855	790,730,489	1.91%
Net invested in							
capital assets	325,447,843	208,001,434	2,218,825	2,443,018	327,666,668	210,444,452	55.70%
Restricted	140,305,976	172,178,392	9,364,451	11,778,565	149,670,427	183,956,957	-18.64%
Unrestricted	(257,922,903)	(192,681,243)	-	-	(257,922,903)	(192,681,243)	33.86%
Total Net Position	\$207,830,916	\$187,498,583	\$11,583,276	\$14,221,583	\$219,414,192	\$201,720,166	8.77%



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Government-wide Net Position

The assets of the District are classified as follows: cash, receivable, due from (to) other funds, prepaid expenses and other assets, 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 2012/13 fiscal year. Long-term liabilities such as general obligation bonds, capitalized lease obligations, Quality Zone Academy Bonds (QZAB), supplemental retirement benefits, energy loans and compensated absences will be liquidated from resources that will become available after the 2012/13 fiscal year.

The assets and deferred outflows of the primary government activities exceed liabilities by \$208 million. Total net position of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$677 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 70,704 public school students represents 67% of the District's total assets. The table and chart above summarizes the District's government-wide net assets.

The District's Business-type activity decreased net position by \$2.64 million. The Business-type activity accounts for 5% of the District's net position. Key elements that highlight the activities in 12/13 fiscal year are as follows:

- The Cafeteria Fund provided over 24,200 breakfasts and 53,400 lunches and 7,900 snacks a day during the fiscal year and 15,400,000 annually which is an increase of 65,000 meals from the prior year.
- Fresno Unified had an 82% student population qualify for free or reduced price meals. Meals are served at 104 locations, utilizing 430 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- The District supports 80 schools that qualify for Provision 2 status due to the poverty level at these schools (an increase of one site from the prior year). This allows Food Services to provide meals to all enrolled students free of charge at these sites.

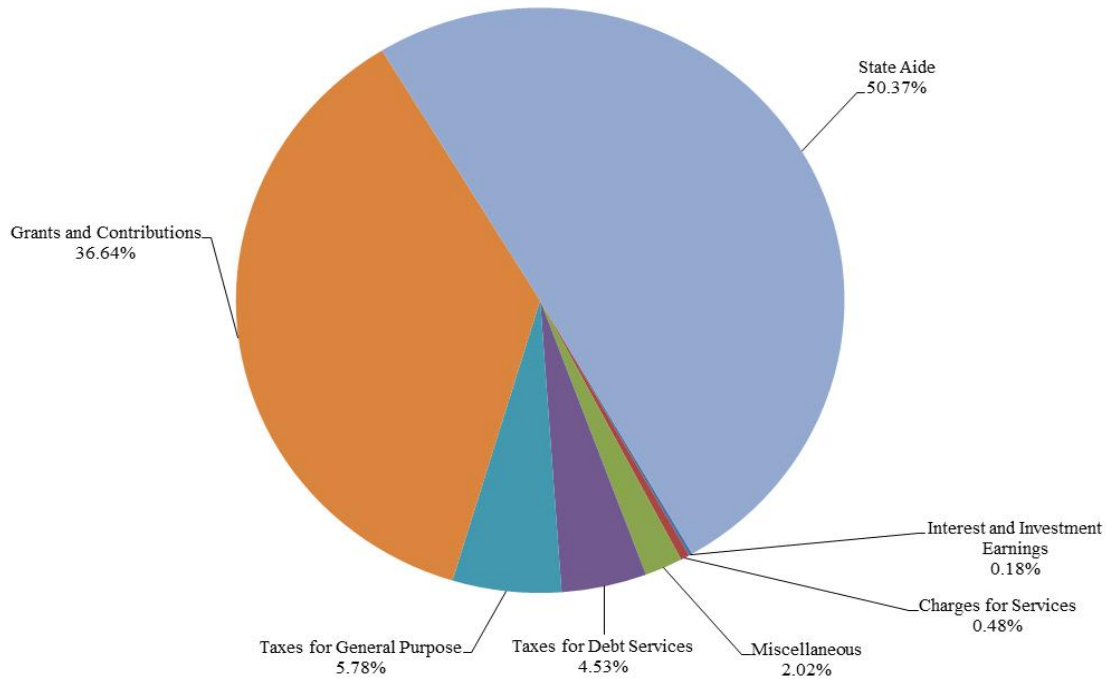
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Statement of Activities

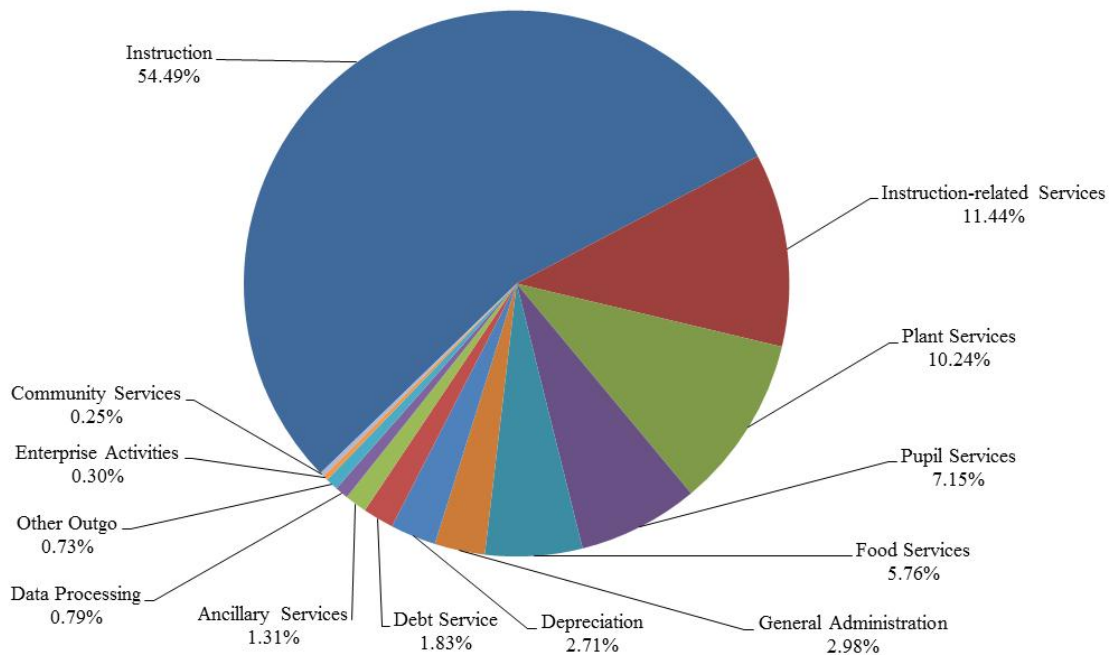
	Governmental Activities		Business-Type Activities		Total School District		Change
	2013	2012	2013	2012	2013	2012	
Program Revenues							
Charges for Services	\$2,699,677	\$2,799,527	\$953,731	\$981,222	\$3,653,408	\$3,780,749	-3.37%
Operating Grants & Contributions	188,484,781	206,248,206	37,590,329	35,635,809	226,075,110	241,884,015	-6.54%
Capital Grants and Contributions	51,733,787	16,286,769	-	-	51,733,787	16,286,769	217.64%
General Revenues							
Taxes and Subventions	78,171,039	80,034,823	-	-	78,171,039	80,034,823	-2.33%
Federal and State Aid, Unrestricted	381,865,993	384,799,928	-	-	381,865,993	384,799,928	-0.76%
Interest and Investment Earnings	1,368,704	2,271,609	-	-	1,368,704	2,271,609	-39.75%
Other General Revenues	15,306,345	16,902,905	-	-	15,306,345	16,902,905	-9.45%
Total Revenues	719,630,326	709,343,767	38,544,060	36,617,031	758,174,386	745,960,798	1.64%
Expenses							
Instruction	402,167,140	405,897,066	-	-	402,167,140	405,897,066	-0.92%
Instructional Related	84,459,678	85,515,957	-	-	84,459,678	85,515,957	-1.24%
Student Support Services	56,646,382	56,669,226	-	-	56,646,382	56,669,226	-0.04%
General Administrative Maintenance and Operations	26,708,309	24,517,222	-	-	26,708,309	24,517,222	8.94%
Depreciation	74,754,757	74,805,697	-	-	74,754,757	74,805,697	-0.07%
Other	19,644,905	17,221,807	-	-	19,644,905	17,221,807	14.07%
Enterprise Activities	32,436,661	32,565,612	-	-	32,436,661	32,565,612	-0.40%
	-	-	41,182,367	39,015,110	41,182,367	39,015,110	5.55%
Total Expenses	696,817,832	697,192,587	41,182,367	39,015,110	738,000,199	736,207,697	0.24%
Change in Net Position	\$22,812,494	\$ 12,151,180	\$ (2,638,307)	\$ (2,398,079)	\$ 20,174,187	\$ 9,753,101	106.8%

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

**Government-wide Revenue
Fiscal Year 2012-13**



**Government-wide Expenses
Fiscal Year 2012-13**



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 2012/13.

- The County School Facilities Fund spent \$90.2 million on projects (Measure Q - \$59.3 million, Measure K - \$29.9 million, Developer Fees - \$0.8 million and Measure A - \$0.2 million).
- The County School Facilities Fund's major projects and activities included the following:
 - Construction and Maintenance major projects and activities included the following totaling **\$66.7 million**
 - Gaston Middle \$ 20.3 million
 - Fresno High \$ 14.7 million
 - Hoover High \$ 9.3 million
 - Roosevelt High \$ 6.9 million
 - Edison High \$ 5.7 million
 - Winchell Elementary \$ 2.7 million
 - Aynesworth Elementary \$ 1.8 million
 - Vang Pao Elementary \$ 1.3 million
 - Easterby Elementary \$ 1.1 million
 - Centennial Elementary \$ 0.7 million
 - McLane High \$ 0.6 million
 - Baird Middle \$ 0.5 million
 - 13 other sites totaling \$ 1.1 million
 - Modernization Projects included the following sites totaling **\$23.5 million**
 - Bullard High \$ 9.1 million
 - Hamilton Elementary \$ 5.3 million
 - Edison High \$ 2.4 million
 - Fresno High \$ 1.3 million
 - McLane High \$ 1.0 million
 - District Technology \$ 0.7 million
 - Sequoia Middle \$ 0.7 million
 - Columbia Elementary \$ 0.6 million
 - 42 other sites totaling \$ 2.4 million

Financial Analysis of the District's Governmental Funds

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

The General Fund is the chief operating fund of the District. Student enrollment decreased by 493 students during the fiscal year. The average daily funded attendance for fiscal year 2012/13 decreased 311 ADA from the 2011/12 fiscal year. This decrease amounts to approximately \$1.6 million.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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 2012/13, Fresno Unified spent 60% towards classroom compensation.

Over the course of the year, the District revised the annual operating budget four 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 was required to present year-end projections at two different intervals (December and March).

The District as a general rule requires restricted budgets to stay within their State and/or Federal allocation. The major exceptions include Community Day, Restricted Routine Maintenance, Special Education, Transportation and Quality Education Investment Act; for these programs, 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 2012/13 budget was \$40 million. The actual ending balance was \$71 million. The difference of \$31 million is mainly due to the following:

- Revenue limit increases from adopted budget due to the mid-year triggers was eliminated with the passage of proposition 30 - \$28 million
- The Beginning Fund balance for 2012/13 was higher than estimated in the budget. This was mainly due to graduation mandate claims from prior years - \$4 million

Capital Assets and Long-Term Liabilities

Governmental Activities, Capital Assets	2013	2012	\$ Change	% Change
Land	\$ 55,295,021	\$ 46,092,417	\$ 9,202,604	19.97%
Work-in-process	104,287,595	156,320,916	(52,033,321)	-33.29%
Land improvements	57,571,062	56,095,431	1,475,631	2.63%
Buildings	719,307,709	585,613,081	133,694,628	22.83%
Equipment	29,821,204	29,552,614	268,590	0.91%
Capital Assets, cost	966,282,591	873,674,459	92,608,132	10.60%
Accumulated Depreciation	(289,303,066)	(270,859,766)	-18,443,300	6.81%
Governmental Activities Capital Assets, net	\$ 676,979,525	\$ 602,814,693	\$ 74,164,832	12.30%
Business-Type Activities, Capital Assets				
Equipment	6,432,610	6,282,659	149,951	2.39%
Accumulated Depreciation	(4,213,785)	(3,839,641)	(374,144)	9.74%
Business-Type Activities Capital Assets, net	\$ 2,218,825	\$ 2,443,018	\$ (224,193)	-9.18%

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2013 was \$679 million (net of accumulated depreciation).

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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

Summary of Long-Term Liabilities

	2013	2012	\$ Change	% Change
General Obligation Bonds	\$ 376,243,009	\$ 386,208,505	\$ (9,965,496)	-2.58%
Accreted Interest	7,454,994	6,047,429	1,407,565	23.28%
PG&E Energy Loans	798,660	-	798,660	100.00%
QZABs	227,003	1,169,909	(942,906)	-80.60%
Unamortized Premium	3,678,005	1,387,416	2,290,589	164.85%
Other Postemployment Benefits	265,639,290	226,478,242	39,161,048	17.29%
Supplementary Retirement Benefits	23,330,378	31,107,170	(7,776,792)	-25.00%
Compensated Absences	2,574,428	2,416,448	157,980	6.54%
Total Long-Term Liabilities	\$ 679,945,767	\$ 654,815,119	\$ 25,130,648	3.84%

At June 30, 2013, the District had total bonded debt outstanding of \$376 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for Quality Zone Academy Bonds for \$0.2 million still outstanding at the end of the 2012/13 fiscal year.

Total long-term debt for the District increased by \$25.1 million during the 2012/13 fiscal year due mainly to the recognition of GASB 45 Retiree Health of \$39 million offset by payments to the General Obligation Bonds of \$6.3 million and Supplementary Retirement Benefits of \$7.8 million. In 2012/13, the district initially invested \$0.8 million in energy saving projects offset by energy utilization savings.

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 \$44 million less than the maximum amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Economic Factors and Budgets and Rates for 2013/14

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 2013/14 Proposed Budget includes recommendations that continue to balance the Board of Education's investment in educational programs for students, employee compensation, and fiscal responsibility through a healthy financial reserve.

On June 5, 2013, the Board approved an Adopted Budget for fiscal year 2013/14. The Adopted Budget included a 7.18% unrestricted reserve.

- The major Federal assumptions are based on current funding and the final utilization of the Educational Jobs Funds in 2012/13 to support the second of two year's payments for the retirement incentive. There are five annual payments and the remaining three years will be funded by the General Fund.
- The major State assumption are:
 - Statutory cost-of-living adjustment of 1.597% and continued funding deficit of 18.997% and assuming an ongoing increase of \$306 per ADA
 - Mandate Block Grant funds mandated activities are funded both on a per ADA basis and through a claim process. Two additional mandates are proposed to be funded by the block grants that are funded on a per ADA basis
 - Continuation of the Tier III flexibility through 2014/15
 - Educational Protection Account continues as approved by Proposition 30 in November 2012 and represents 16% of the revenue limit funds
- 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 \$25.8 million
 - The Elementary School Aligned Instructional System: Instructional coaches, lead teachers, noontime assistant support, support for magnet programs, administrative support
 - The Middle School Aligned Instructional System: Transition teachers, lead teachers, counselors, instructional coaches, categorical learning coaches, ELA/Math intervention teachers, support for magnet programs, campus culture personnel
 - The High School Aligned Instructional System: Counselors, instructional coaches, lead teachers, ELA/Math intervention teachers, corrective reading/intervention, support for magnet programs, activity and athletic directors, administrative support, sophomore online learning, police officers
 - Early Learning is supported by the general fund of \$9 million
 - Pre-K Classrooms includes additional 36 classrooms to increase the number of sites from 51 to 58 school sites
 - Transitional Kindergarten will be offered to 62 elementary sites from over half in 2012/13
 - Contractual Kindergarten will increase an hour of instruction from 20 to 63 sites
 - Allocated resources supported by the general fund
 - Support of 46 middle school teachers for the redesign of the instructional program to offer every student personalized instructions utilizing funds allocated in September 2012
 - Middle school academic and social/emotional counselors support of \$515,000
 - Special Education positions for a diagnostic program at Eaton and proper oversight of special education programs of \$500,000

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- Prevention and Intervention includes an increase to support student records personnel and home and hospital program of \$300,000
- Career Readiness program of \$500,00
- Eight permanent Maintenance positions in place of temporary employees
- Six Transportation positions to support the decreased walking distance of 2 miles to 1.5 miles at both the middle and high school levels
- Technology support of \$500,000 of projects including the student information system, network management, and financial system
- Grants support of \$98,000 for a general grants manager
- Human Resources support of \$224,000 for one new position and increase for operational costs
- Ongoing support of for athletic/campus culture directors, music program, graduation task force, custodial operations instructional of \$4.9 million through prioritization of unrestricted and categorical funds
- Utilize one-time reserves of \$2.8 million
 - Education Programs: Transition Roosevelt from the QEIA program, transition School Improvement Grant schools out of the program, increase teacher participation into the National Board Certification program,
 - Operational Support: Implement technology solutions for Human Resources processes, equipment for Transportation and maintenance, storage of student records electronically, Medi-Cal billing
- High school facilities includes \$8.0 million in one-time funds for facility improvements
- Benefit Rates
 - Maintain the Health rate in accordance with the current employee bargaining agreements
 - Workers' Compensation increases the Liability Insurance rates to fund the reserve level at 63% and continue the level of funding to increase the reserve to 70% by 2014/15
 - The Liability rate will remain at the same level as in 2012/13, which has remained the same since fiscal year 2007/08.
- Subsequent Events to the Adopted 2013/14 Budget
 - The final 2013/14 State adopted budget included a historical change from the revenue limit to the Local Control Funding Formula (LCFF) of \$15 million. In addition, the State transferred the expense budget for the Restricted Routine Maintenance and Transportation programs resulting in a reduction of the contributions from the Unrestricted General Fund of \$25 million.

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 new 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 \$956 million in November 2013. The previous actuarial completed in November 2010 totaled \$981 million. The District has established an irrevocable trust and is in the planning phase of funding the irrevocable trust.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 180,148,003	\$ 9,649,691	\$ 189,797,694
Receivables	141,725,480	6,511,261	148,236,741
Due from (to) other funds (Note 3)	6,391,041	(6,391,041)	-
Prepaid expenses	798,110	-	798,110
Stores inventory	1,319,345	755,641	2,074,986
Non-depreciable capital assets (Note 4)	159,582,616	-	159,582,616
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>517,396,909</u>	<u>2,218,825</u>	<u>519,615,734</u>
Total assets	<u>1,007,361,504</u>	<u>12,744,377</u>	<u>1,020,105,881</u>
DEFERRED OUTFLOWS			
Deferred loss from refunding of debt (Note 6)	<u>5,173,166</u>	<u>-</u>	<u>5,173,166</u>
LIABILITIES			
Accounts payable and other current liabilities	68,878,539	1,161,101	70,039,640
Unearned revenue	4,684,583	-	4,684,583
Self-insurance claims liability (Note 5)	51,194,865	-	51,194,865
Long-term liabilities (Note 6):			
Due within one year	26,708,159	-	26,708,159
Due after one year	<u>653,237,608</u>	<u>-</u>	<u>653,237,608</u>
Total liabilities	<u>804,703,754</u>	<u>1,161,101</u>	<u>805,864,855</u>
NET POSITION			
Net investment in capital assets	325,447,843	2,218,825	327,666,668
Restricted (Note 7)	140,305,976	9,364,451	149,670,427
Unrestricted	<u>(257,922,903)</u>	<u>-</u>	<u>(257,922,903)</u>
Total net position	<u>\$ 207,830,916</u>	<u>\$ 11,583,276</u>	<u>\$ 219,414,192</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	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	\$ 402,167,140	\$ 1,154,901	\$ 110,330,442	\$ 51,733,787	\$ (238,948,010)	\$ -	\$ (238,948,010)
Instruction-related services:							
Supervision of instruction	34,713,917	238,585	27,937,865	-	(6,537,467)	-	(6,537,467)
Instructional library, media and technology	9,928,596	-	6,238,295	-	(3,690,301)	-	(3,690,301)
School site administration	39,817,165	72,089	1,339,443	-	(38,405,633)	-	(38,405,633)
Pupil services:							
Home-to-school transportation	15,243,563	576,954	7,034,237	-	(7,632,372)	-	(7,632,372)
Food services	3,846,249	7,657	1,453,335	-	(2,385,257)	-	(2,385,257)
All other pupil services	37,556,570	323,070	22,629,697	-	(14,603,803)	-	(14,603,803)
General administration:							
Data processing	5,852,264	-	-	-	(5,852,264)	-	(5,852,264)
All other general administration	20,856,045	318,776	5,284,150	-	(15,253,119)	-	(15,253,119)
Plant services	74,754,757	124	685,399	-	(74,069,234)	-	(74,069,234)
Ancillary services	9,662,226	-	4,047,955	-	(5,614,271)	-	(5,614,271)
Community services	1,853,651	7,521	825,665	-	(1,020,465)	-	(1,020,465)
Enterprise activities	1,982,904	-	11,587	-	(1,971,317)	-	(1,971,317)
Interest on long-term liabilities	13,523,730	-	-	-	(13,523,730)	-	(13,523,730)
Other outgo	5,414,150	-	666,711	-	(4,747,439)	-	(4,747,439)
Depreciation (unallocated) (Note 4)	19,644,905	-	-	-	(19,644,905)	-	(19,644,905)
Business-type activities:							
Food services	38,654,449	903,852	35,624,411	-	-	(2,126,186)	(2,126,186)
All other general administration	1,153,555	26,715	1,052,939	-	-	(73,901)	(73,901)
Plant services	786,270	18,209	717,690	-	-	(50,371)	(50,371)
Enterprise services	213,949	4,955	195,289	-	-	(13,705)	(13,705)
Depreciation (Note 4)	374,144	-	-	-	-	(374,144)	(374,144)
Total governmental and business-type activities	<u>\$ 738,000,199</u>	<u>\$ 3,653,408</u>	<u>\$ 226,075,110</u>	<u>\$ 51,733,787</u>	<u>(453,899,587)</u>	<u>(2,638,307)</u>	<u>(456,537,894)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					43,847,565	-	43,847,565
Taxes levied for debt service					34,323,474	-	34,323,474
Federal and state aid not restricted to specific purposes					381,865,993	-	381,865,993
Interest and investment earnings					1,368,704	-	1,368,704
Miscellaneous					6,951,517	-	6,951,517
Special and extraordinary items					8,354,828	-	8,354,828
Total general revenues					<u>476,712,081</u>	<u>-</u>	<u>476,712,081</u>
Change in net position					<u>22,812,494</u>	<u>(2,638,307)</u>	<u>20,174,187</u>
Net position, July 1, 2012, originally stated					187,498,583	14,221,583	201,720,166
Cumulative effect of change in accounting principle					<u>(2,480,161)</u>	<u>-</u>	<u>(2,480,161)</u>
Net position, July 1, 2012, as restated					<u>185,018,422</u>	<u>14,221,583</u>	<u>199,240,005</u>
Net position, June 30, 2013					<u>\$ 207,830,916</u>	<u>\$ 11,583,276</u>	<u>\$ 219,414,192</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 15,436,637	\$ 40,043,145	\$ 10,441,853	\$ 35,216,243	\$ 101,137,878
Cash awaiting deposit	52,194	-	-	28,810	81,004
Cash in revolving fund	82,651	-	-	-	82,651
Cash on hand and in banks	1,433,587	-	-	3,522	1,437,109
Receivables	125,969,250	134,359	13,076,562	1,894,974	141,075,145
Prepaid expenditures	44,948	-	-	13,860	58,808
Due from other funds	12,700,917	1,507,518	13,400,483	14,153,947	41,762,865
Stores inventory	<u>1,304,951</u>	<u>-</u>	<u>-</u>	<u>14,394</u>	<u>1,319,345</u>
Total assets	<u>\$ 157,025,135</u>	<u>\$ 41,685,022</u>	<u>\$ 36,918,898</u>	<u>\$ 51,325,750</u>	<u>\$ 286,954,805</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 49,052,167	\$ -	\$ 7,896,535	\$ 1,007,470	\$ 57,956,172
Unearned revenue	4,684,583	-	-	-	4,684,583
Due to other funds	<u>24,617,744</u>	<u>4,815,033</u>	<u>8,736,857</u>	<u>11,325,827</u>	<u>49,495,461</u>
Total liabilities	<u>78,354,494</u>	<u>4,815,033</u>	<u>16,633,392</u>	<u>12,333,297</u>	<u>112,136,216</u>
Fund balances:					
Nonspendable	1,432,550	-	-	28,254	1,460,804
Restricted	7,722,824	36,869,989	20,285,506	38,964,199	103,842,518
Assigned	2,944,328	-	-	-	2,944,328
Unassigned	<u>66,570,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,570,939</u>
Total fund balances	<u>78,670,641</u>	<u>36,869,989</u>	<u>20,285,506</u>	<u>38,992,453</u>	<u>174,818,589</u>
Total liabilities and fund balances	<u>\$ 157,025,135</u>	<u>\$ 41,685,022</u>	<u>\$ 36,918,898</u>	<u>\$ 51,325,750</u>	<u>\$ 286,954,805</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, 2013

Total fund balances - Governmental Funds		\$ 174,818,589
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 \$966,282,591 and the accumulated depreciation is \$289,303,066 (Note 4).		
		676,979,525
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, 2013 consisted of (Note 6):		
General Obligation Bonds	\$ (376,243,009)	
Unamortized premiums	(3,678,005)	
Accreted interest	(7,454,994)	
Qualified Zone Academy Bonds (QZAB's)	(227,003)	
PG&E energy savings loans	(798,660)	
Public Agency Retirement System (PARS)	(23,330,378)	
Other postemployment benefits (Note 9)	(265,639,290)	
Compensated absences	<u>(2,574,428)</u>	
		(679,945,767)
Internal service funds are included in the government-wide financial statements.		
		36,435,204
Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the debt.		
		5,173,166
Unmatured interest on long-term liabilities is recognized in the period incurred.		
		<u>(5,629,801)</u>
Total net position - governmental activities		<u><u>\$ 207,830,916</u></u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 310,331,579	\$ -	\$ -	\$ 1,169,558	\$ 311,501,137
Local sources	<u>41,632,883</u>	<u>-</u>	<u>-</u>	<u>151,712</u>	<u>41,784,595</u>
Total revenue limit	<u>351,964,462</u>	<u>-</u>	<u>-</u>	<u>1,321,270</u>	<u>353,285,732</u>
Federal sources	93,071,273	-	-	2,374,679	95,445,952
Other state sources	154,134,523	-	51,733,787	6,677,443	212,545,753
Other local sources	<u>11,642,717</u>	<u>750,618</u>	<u>79,919</u>	<u>36,667,614</u>	<u>49,140,868</u>
Total revenues	<u>610,812,975</u>	<u>750,618</u>	<u>51,813,706</u>	<u>47,041,006</u>	<u>710,418,305</u>
Expenditures:					
Certificated salaries	289,798,339	-	-	6,185,289	295,983,628
Classified salaries	88,796,993	-	667,660	2,874,947	92,339,600
Employee benefits	143,918,242	-	279,798	3,146,944	147,344,984
Books and supplies	28,243,605	-	689,716	946,443	29,879,764
Contract services and operating expenditures	55,623,142	655,164	2,295,803	4,113,153	62,687,262
Capital outlay	532,959	-	86,283,996	843,495	87,660,450
Other outgo	2,017,818	-	-	-	2,017,818
Debt service:					
Principal retirement	1,001,448	-	-	18,396,754	19,398,202
Interest	<u>-</u>	<u>5,173,165</u>	<u>-</u>	<u>14,567,388</u>	<u>19,740,553</u>
Total expenditures	<u>609,932,546</u>	<u>5,828,329</u>	<u>90,216,973</u>	<u>51,074,413</u>	<u>757,052,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>880,429</u>	<u>(5,077,711)</u>	<u>(38,403,267)</u>	<u>(4,033,407)</u>	<u>(46,633,956)</u>
Other financing sources (uses):					
Operating transfers in	1,794,445	-	32,559,352	4,486,263	38,840,060
Operating transfers out	(6,736,263)	(32,627,399)	-	(1,072,843)	(40,436,505)
Proceeds from issuance of long-term liabilities	857,202	72,285,000	-	-	73,142,202
Refundings of general obligation bonds	-	(68,983,209)	-	-	(68,983,209)
Other financing sources	<u>-</u>	<u>2,490,538</u>	<u>-</u>	<u>16,850</u>	<u>2,507,388</u>
Total other financing sources (uses)	<u>(4,084,616)</u>	<u>(26,835,070)</u>	<u>32,559,352</u>	<u>3,430,270</u>	<u>5,069,936</u>
Net change in fund balances	(3,204,187)	(31,912,781)	(5,843,915)	(603,137)	(41,564,020)
Fund balances, July 1, 2012	<u>81,874,828</u>	<u>68,782,770</u>	<u>26,129,421</u>	<u>39,595,590</u>	<u>216,382,609</u>
Fund balances, June 30, 2013	<u>\$ 78,670,641</u>	<u>\$ 36,869,989</u>	<u>\$ 20,285,506</u>	<u>\$ 38,992,453</u>	<u>\$ 174,818,589</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, 2013

Net change in fund balances - Total Governmental Funds	\$ (41,564,020)
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).	\$ 93,809,737
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(19,644,905)
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).	(73,142,202)
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).	88,381,411
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).	(2,290,589)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(6,537,032)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	4,276,964
Activities of the internal service fund are reported with governmental activities.	5,892,200
Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the debt.	5,173,166
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 9).	(39,161,048)

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

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

(Continued)

For the Year Ended June 30, 2013

In governmental funds, public agency retirement system incentives are recognized when employers contributions are made. In the government-wide statements, public agency retirement system incentives are measured on the accrual basis (Note 6).	\$ 7,776,792
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(157,980)</u> \$ <u>64,376,514</u>
Change in net position of governmental activities	<u>\$ 22,812,494</u>

See accompanying notes to financial statements.

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

June 30, 2013

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 75,409,361
Cash on hand and in banks	2,000,000
Receivables	650,335
Due from other funds	14,409,446
Prepaid expenditures	<u>739,302</u>

 Total current assets 93,208,444

LIABILITIES

Current liabilities:

Accounts payable	5,292,566
Due to other funds	285,809
Self insurance claims liability	<u>51,194,865</u>

 Total current liabilities 56,773,240

NET POSITION

Restricted \$ 36,435,204

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, 2013

Operating revenues:	
Self-insurance premiums	<u>\$ 124,355,629</u>
Operating expenses:	
Certificated salaries	401
Classified salaries	1,049,648
Employee benefits	463,428
Books and supplies	14,963
Contract services	<u>120,575,881</u>
Total operating expenses	<u>122,104,321</u>
Operating income	<u>2,251,308</u>
Non-operating revenue:	
Interest income	890,892
Interfund transfer in	<u>2,750,000</u>
Total non-operating revenue	<u>3,640,892</u>
Change in net position	5,892,200
Total net position, July 1, 2012	<u>30,543,004</u>
Total net position, June 30, 2013	<u><u>\$ 36,435,204</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, 2013

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 163,251,260
Cash received from user charges	7,422,055
Cash paid for employee benefits	(116,710,617)
Cash paid for salaries	(1,513,477)
Cash paid for other expenses	<u>(14,963)</u>
Net cash provided by operating activities	<u>52,434,258</u>
Cash flows provided by noncapital financing activities:	
Transfers in	<u>2,750,000</u>
Cash flows provided by investing activities:	
Interest income received	<u>917,069</u>
Increase in cash and investments	56,101,327
Cash and investments, July 1, 2012	<u>21,308,034</u>
Cash and investments, June 30, 2013	<u>\$ 77,409,361</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 2,251,308</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in:	
Receivables	2,652,515
Amount due from other funds	43,665,171
Prepaid expenditures	(64,632)
Increase in:	
Accounts payable	1,736,201
Amount due to other funds	285,809
Unpaid claims and claim adjustment expenses	<u>1,907,886</u>
Total adjustments	<u>50,182,950</u>
Net cash provided by operating activities	<u>\$ 52,434,258</u>

See accompanying notes to financial statements.

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

June 30, 2013

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 1,493,248
Cash on hand and in banks	8,156,443
Receivables	6,511,261
Due from other funds	342,337
Stores inventory	<u>755,641</u>

Total current assets	<u>17,258,930</u>
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Capital assets

Less accumulated depreciation	<u>(4,213,785)</u>
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Total assets	<u>19,477,755</u>
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LIABILITIES

Current liabilities:

Accounts payable	1,161,101
Due to other funds	<u>6,733,378</u>

Total current liabilities	<u>7,894,479</u>
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NET POSITION

Net investment in capital assets	2,218,825
Restricted	<u>9,364,451</u>

Total net position	<u><u>\$ 11,583,276</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2013

Operating revenues:	
Federal revenues	\$ 34,066,384
Other state revenues	2,737,384
Other local revenues	<u>1,336,389</u>
Total operating revenues	<u>38,140,157</u>
Operating expenses:	
Classified salaries	10,856,923
Employee benefits	6,754,387
Books and supplies	19,290,949
Contract services	2,752,410
Depreciation	<u>374,144</u>
Total operating expenses	<u>40,028,813</u>
Operating loss	<u>(1,888,656)</u>
Non-operating revenue (expense):	
Interest income	403,904
Interfund transfer out	<u>(1,153,555)</u>
Total non-operating revenue (expense)	<u>(749,651)</u>
Change in net position	(2,638,307)
Total net position, July 1, 2012	<u>14,221,583</u>
Total net position, June 30, 2013	<u>\$ 11,583,276</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, 2013

Cash flows from operating activities:	
Cash received from food sales	\$ 1,336,389
Cash received from Child Nutrition Programs	36,163,852
Cash paid for operating expenses	<u>(35,862,277)</u>
Net cash provided by operating activities	<u>1,637,964</u>
Cash flows from capital and financing activities:	
Purchase of capital assets	(149,951)
Transfers out	<u>(1,153,555)</u>
Net cash used in capital and financing activities	<u>(1,303,506)</u>
Cash flows from investing activities:	
Interest income received	<u>397,173</u>
Increase in cash and investments	731,631
Cash and investments, July 1, 2012	<u>8,918,060</u>
Cash and investments, June 30, 2013	<u>\$ 9,649,691</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(1,888,656)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	374,144
(Increase) decrease in:	
Receivables	(297,580)
Amount due from other funds	(342,337)
Inventory	100,163
Increase in:	
Accounts payable	377,046
Amount due to other funds	<u>3,315,184</u>
Total adjustments	<u>3,526,620</u>
Net cash provided by operating activities	<u>\$ 1,637,964</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2013

ASSETS

Cash and investments (Note 2):	
Cash in County Treasury	\$ 35,420
Cash on hand and in banks	1,888,728
Stores inventory	<u>12,682</u>
 Total assets	 <u>1,936,830</u>

LIABILITIES

Due to student groups	<u>1,936,830</u>
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NET POSITION

Restricted	<u><u>\$ -</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position 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 BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

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

3 - County School Facilities Fund:

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

B - Other Funds

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

Capital Projects 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.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs. This includes the Bond Interest and Redemption Fund and Tax Override Funds.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

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.

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

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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are made up principally of amounts due from the State of California for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2013.

Stores Inventory

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

Cafeteria Food Purchases

The Cafeteria Fund statement of revenues, expenses and change in fund net position reflects supplies expense of \$19,290,949. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

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.

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$2,574,428 is for the earned but unused benefits.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted Net Position

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

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2013, 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, 2013, 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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013, 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.

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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's 2013 beginning net position was restated by \$2,480,161 because bond issuance costs were no longer capitalized, and the District recorded deferred outflows of resources of \$5,173,166 to reflect the loss on refunding of debt. See Note 6 for additional information regarding the deferred loss on refunding.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this statement will have on the District's financial statements.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning July 1, 2013. Management has not determined what impact, if any, this statement might have on the District's financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning July 1, 2014. Management has not determined what impact, if any, this statement might have on the District's financial statements.

2. CASH AND INVESTMENTS

Cash at June 30, 2013 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 101,137,878	\$ 75,409,361	\$ 176,547,239	\$ 1,493,248	\$ 35,420
Cash awaiting deposit	81,004	-	81,004	-	-
Total pooled funds	101,218,882	75,409,361	176,628,243	1,493,248	35,420
Deposits:					
Cash on hand and in banks	1,437,109	2,000,000	3,437,109	8,156,443	1,888,728
Cash in revolving fund	82,651	-	82,651	-	-
Total deposits	1,519,760	2,000,000	3,519,760	8,156,443	1,888,728
Total cash and cash equivalents	\$ 102,738,642	\$ 77,409,361	\$ 180,148,003	\$ 9,649,691	\$ 1,924,148

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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2013, 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, 2013, the carrying amount of the District's accounts was \$13,546,274 and the bank balances were \$13,217,459. The total uninsured bank balance at June 30, 2013 was \$12,049,258.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2013, the carrying amount of the District's accounts was \$18,657 and the bank balance was \$22,547, 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.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2013 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 12,700,917	\$ 24,617,744
Building	1,507,518	4,815,033
County School Facilities	13,400,483	8,736,857
Non-Major Funds:		
Charter School	-	59,466
Adult Education	1,352,191	1,540,866
Child Development	2,462,749	4,103,020
Deferred Maintenance	92,539	66,946
Capital Facilities	4,713,385	5,505,336
Special Reserve for Capital Outlay Projects	5,533,083	25,542
Tax Override	-	24,651
Proprietary Fund:		
Self-Insurance	14,409,446	285,809
<u>Business-Type Activities</u>		
Cafeteria Fund	<u>342,337</u>	<u>6,733,378</u>
Totals	<u>\$ 56,514,648</u>	<u>\$ 56,514,648</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2012-13 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 31,784,992
Transfer from the General Fund to the Self-Insurance Fund to contribute one time resources.	2,750,000
Transfer from the General Fund to the Adult Education Fund to support Adult Education as flexibility has been provided by the State.	3,417,145
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,153,555
Transfer from the Capital Facilities Fund to the County School Facilities Fund to reimburse the fund.	753,910
Transfer from the Building Fund to the Adult Education Fund to return operating funds transferred in prior years from the operating budget.	500,000
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation received in the General Fund.	342,407
Transfer from the Building Fund to the General Fund to contribute to restricted routine maintenance.	342,407
Transfer from the General Fund to the Child Development Fund to contribute to the Child Development Programs to support state imposed parent fees.	226,711
Transfer from the Child Development Fund to the General Fund for indirect costs.	201,404
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	51,426
Transfer from the Tax Override Fund to the General Fund for excess reimbursement.	40,273
Transfer from the Special Reserve for Capital Outlay Projects Fund to the County School Facilities Fund to contribute to the local share by project.	20,450
Transfer from the Adult Education Fund to the General Fund for indirect costs.	<u>5,380</u>
	<u>\$ 41,590,060</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Transfers and Additions	Transfers and Deletions	Balance June 30, 2013
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 46,092,417	\$ 9,202,604	\$ -	\$ 55,295,021
Work-in-process	156,320,916	93,541,147	(145,574,468)	104,287,595
Depreciable:				
Land improvements	56,095,431	1,475,631	-	57,571,062
Buildings	585,613,081	134,896,233	(1,201,605)	719,307,709
Equipment	<u>29,552,614</u>	<u>268,590</u>	<u>-</u>	<u>29,821,204</u>
Totals, at cost	<u>873,674,459</u>	<u>239,384,205</u>	<u>(146,776,073)</u>	<u>966,282,591</u>
Less accumulated depreciation:				
Land improvements	(23,146,990)	(2,445,156)	-	(25,592,146)
Buildings	(229,432,780)	(15,429,059)	(1,201,605)	(243,660,234)
Equipment	<u>(18,279,996)</u>	<u>(1,770,690)</u>	<u>-</u>	<u>(20,050,686)</u>
Total accumulated depreciation	<u>(270,859,766)</u>	<u>(19,644,905)</u>	<u>(1,201,605)</u>	<u>(289,303,066)</u>
Governmental activities capital assets, net	<u>\$ 602,814,693</u>	<u>\$ 219,739,300</u>	<u>\$ (145,574,468)</u>	<u>\$ 676,979,525</u>
<u>Business-Type Activities</u>				
Equipment	\$ 6,282,659	\$ 149,951	\$ -	\$ 6,432,610
Less accumulated depreciation	<u>(3,839,641)</u>	<u>(374,144)</u>	<u>-</u>	<u>(4,213,785)</u>
Business-Type activities capital assets, net	<u>\$ 2,443,018</u>	<u>\$ (224,193)</u>	<u>\$ -</u>	<u>\$ 2,218,825</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2013 as follows:

Governmental activities:	
Unallocated	<u>\$ 19,644,905</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ 374,144</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2013, 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 \$730,315 is based on an actuarial estimate as of June 30, 2012, discounted at 1%. The workers' compensation claims liability of \$34,384,219 is based on an actuarial estimate as of June 30, 2013, discounted at 1.5%. The health claims liability of \$16,080,331 is based on an actuarial estimate as of June 30, 2013, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the years ended June 30, 2013 and 2012 were as follows:

	Property and <u>Liability</u>	Workers' Compen- sation	<u>Health</u>	<u>Total</u>
Claims liability at June 30, 2011	\$ 913,495	\$ 30,983,129	\$ 15,853,831	\$ 47,750,455
Incurred claims	651,630	7,384,769	114,330,862	122,367,261
Paid claims	<u>(823,967)</u>	<u>(6,630,689)</u>	<u>(113,376,081)</u>	<u>(120,830,737)</u>
Claims liability at June 30, 2012	<u>741,158</u>	<u>31,737,209</u>	<u>16,808,612</u>	<u>49,286,979</u>
Incurred claims	1,103,006	11,169,299	107,425,757	119,698,062
Paid claims	<u>(1,113,849)</u>	<u>(8,522,289)</u>	<u>(108,154,038)</u>	<u>(117,790,176)</u>
Claims liability at June 30, 2013	<u>\$ 730,315</u>	<u>\$ 34,384,219</u>	<u>\$ 16,080,331</u>	<u>\$ 51,194,865</u>

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

6. LONG-TERM LIABILITIES

General Obligation Bonds

<u>Issue</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
1998 Series A	4.8 - 6.15%	1998	2013**	\$ 33,235,000	\$ 17,760,000	\$ -	\$ 17,760,000	\$ -
1998 Refunding Series B								
Current Interest	5.5 - 6.95%	1998	2014**	26,998,742	9,170,000	-	7,975,000	1,195,000
1998 Refunding Series B								
Capital Appreciation	5.5 - 6.95%	1998	2013**	-	2,903,742	-	2,903,742	-
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	24,795,000	-	1,775,000	23,020,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	53,210,000	-	2,635,000	50,575,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	43,275,000	-	2,095,000	41,180,000
2004 Series A	2.0 - 4.25%	2004	2013*	10,645,000	6,430,000	-	6,430,000	-
2001 Series D	4.125 - 5.0%	2005	2031*	31,000,000	16,020,000	-	7,605,000	8,415,000
2001 Series E	4.0 - 5.0%	2007	2016*	35,000,000	30,505,000	-	27,115,000	3,390,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	8,415,000	-	370,000	8,045,000
2001 Series F	5.48%	2009	2026	29,429,022	27,082,626	-	566,754	26,515,872
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	11,775,000	-	165,000	11,610,000
2010 Measure Q Series A	4.726 - 5.876%	2011	2030	29,561,373	28,861,373	-	-	28,861,373
2001 Measure K Series G	5.39 - 11.814%	2011	2042	55,570,915	55,570,915	-	-	55,570,915
2010 Measure Q Series B	2.0 - 5.25%	2011	2042	50,434,849	50,434,849	-	4,855,000	45,579,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	-	39,895,000	-	39,895,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	-	32,390,000	-	32,390,000
				<u>\$ 559,519,901</u>	<u>\$ 386,208,505</u>	<u>\$ 72,285,000</u>	<u>\$ 82,250,496</u>	<u>\$ 376,243,009</u>

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

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 1,195,000</u>	<u>\$ 39,733</u>	<u>\$ 1,234,733</u>

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,895,000	\$ 1,338,740	\$ 3,233,740
2015	2,045,000	1,227,960	3,272,960
2016	2,185,000	1,107,900	3,292,900
2017	2,315,000	980,155	3,295,155
2018	2,445,000	842,815	3,287,815
2019-2023	<u>12,135,000</u>	<u>1,852,157</u>	<u>13,987,157</u>
	<u>\$ 23,020,000</u>	<u>\$ 7,349,727</u>	<u>\$ 30,369,727</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,530,000	\$ 3,007,338	\$ 5,537,338
2015	2,930,000	2,866,215	5,796,215
2016	3,135,000	2,698,500	5,833,500
2017	3,350,000	2,510,100	5,860,100
2018	3,545,000	2,308,800	5,853,800
2019-2023	21,635,000	8,034,600	29,669,600
2024-2027	<u>13,450,000</u>	<u>1,436,400</u>	<u>14,886,400</u>
	<u>\$ 50,575,000</u>	<u>\$ 22,861,953</u>	<u>\$ 73,436,953</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,190,000	\$ 2,049,938	\$ 4,239,938
2015	2,290,000	1,956,450	4,246,450
2016	2,420,000	1,854,166	4,274,166
2017	2,540,000	1,742,176	4,282,176
2018	2,675,000	1,614,926	4,289,926
2019-2023	15,595,000	5,919,380	21,514,380
2024-2028	<u>13,470,000</u>	<u>1,622,249</u>	<u>15,092,249</u>
	<u>\$ 41,180,000</u>	<u>\$ 16,759,285</u>	<u>\$ 57,939,285</u>

In October 2010, the District issued 2010 General Obligation Refunding Bonds to refund on an advance basis the 2001, Series D Bonds in the amount of \$10,930,000. The amortization schedule has been adjusted for the advance payment. The annual payments required to amortize the 2005, Series 2001D, General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 965,000	\$ 348,094	\$ 1,313,094
2015		323,969	323,969
2016	-	323,969	323,969
2017	-	323,969	323,969
2018	-	323,969	323,969
2019-2023	-	1,619,844	1,619,844
2024-2028	1,575,000	1,385,563	2,960,563
2029-2031	<u>5,875,000</u>	<u>392,764</u>	<u>6,267,764</u>
	<u>\$ 8,415,000</u>	<u>\$ 5,042,141</u>	<u>\$ 13,457,141</u>

The annual payments required to amortize the 2001, Series E, General Obligation Bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,080,000	\$ 114,000	\$ 1,194,000
2015	1,130,000	69,800	1,199,800
2016	<u>1,180,000</u>	<u>23,600</u>	<u>1,203,600</u>
	<u>\$ 3,390,000</u>	<u>\$ 207,400</u>	<u>\$ 3,597,400</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2007, Refunding 1995 Series B, General Obligation Bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 390,000	\$ 326,400	\$ 716,400
2015	405,000	310,500	715,500
2016	420,000	294,000	714,000
2016	445,000	276,700	721,700
2017	465,000	258,500	723,500
2019-2023	2,635,000	989,569	3,624,569
2024-2028	<u>3,285,000</u>	<u>366,111</u>	<u>3,651,111</u>
	<u>\$ 8,045,000</u>	<u>\$ 2,821,780</u>	<u>\$ 10,866,780</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,144,729	\$ 1,422,223	\$ 2,566,952
2015	1,419,412	1,351,940	2,771,352
2016	1,497,222	1,271,995	2,769,217
2017	1,750,295	1,182,980	2,933,275
2018	1,844,675	1,084,442	2,929,117
2019-2023	10,830,408	3,747,548	14,577,956
2024-2026	<u>8,029,131</u>	<u>676,778</u>	<u>8,705,909</u>
	<u>\$ 26,515,872</u>	<u>\$ 10,737,906</u>	<u>\$ 37,253,778</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a premium of \$789,371 which will be amortized over 20 years. The annual payments required to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 170,000	\$ 373,500	\$ 543,500
2015	1,180,000	354,100	1,534,100
2016	1,210,000	318,250	1,528,250
2017	1,245,000	281,425	1,526,425
2018	1,280,000	243,550	1,523,550
2019-2023	<u>6,525,000</u>	<u>576,425</u>	<u>7,101,425</u>
	<u>\$ 11,610,000</u>	<u>\$ 2,147,250</u>	<u>\$ 13,757,250</u>

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 1,154,455	\$ 1,154,455
2015	-	1,154,455	1,154,455
2016	-	1,154,455	1,154,455
2017	-	1,154,455	1,154,455
2018	-	1,154,455	1,154,455
2019-2023	2,246,998	5,727,335	7,974,333
2024-2028	17,094,637	3,774,141	20,868,778
2029-2030	<u>9,519,738</u>	<u>385,004</u>	<u>9,904,742</u>
	<u>\$ 28,861,373</u>	<u>\$ 15,658,755</u>	<u>\$ 44,520,128</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-2023	\$ 323,710	\$ 997,702	\$ 1,321,412
2024-2028	7,084,199	13,596,009	20,680,208
2029-2033	17,855,236	48,794,956	66,650,192
2034-2038	18,001,788	76,161,788	94,163,576
2039-2042	<u>12,305,982</u>	<u>65,336,821</u>	<u>77,642,803</u>
	<u>\$ 55,570,915</u>	<u>\$204,887,276</u>	<u>\$260,458,191</u>

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,290,000	\$ 843,550	\$ 3,133,550
2015	-	820,650	820,650
2016	-	820,650	820,650
2017	-	820,650	820,650
2018	210,000	816,450	1,026,450
2019-2023	10,785,000	3,249,875	14,034,875
2024-2025	<u>6,680,000</u>	<u>1,403,425</u>	<u>8,083,425</u>
	<u>\$ 19,965,000</u>	<u>\$ 8,775,250</u>	<u>\$ 28,740,250</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026-2028	\$ 4,550,362	\$ 7,097,115	\$ 11,647,477
2029-2033	8,103,297	22,161,829	30,265,126
2034-2038	7,695,838	32,561,922	40,257,760
2039-2042	<u>5,265,352</u>	<u>27,959,313</u>	<u>33,224,665</u>
	<u>\$ 25,614,849</u>	<u>\$ 89,780,179</u>	<u>\$115,395,028</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 715,000	\$ 1,558,269	\$ 2,273,269
2015	730,000	1,547,394	2,277,394
2016	745,000	1,532,644	2,277,644
2017	1,995,000	1,485,294	3,480,294
2018	2,095,000	1,403,494	3,498,494
2019-2023	10,295,000	5,611,081	15,906,081
2024-2028	16,555,000	3,013,376	19,568,376
2029-2031	<u>6,765,000</u>	<u>386,157</u>	<u>7,151,157</u>
	<u>\$ 39,895,000</u>	<u>\$ 16,537,709</u>	<u>\$ 56,432,709</u>

Although the 2012 Series A refundings resulted in the recognition of an accounting loss of \$3,371,755 for the year ended June 30, 2013, the District in effect decreased its aggregate debt service payments by \$1.9 million over the next seventeen years and obtained an economic gain of \$1.5 million.

Calculation of the difference in cash flow requirements and economic loss are as follows:

Old debt service cash flows	\$ 59,078,156
New debt service cash flows	<u>57,213,631</u>
 Cash flow difference	 <u>\$ 1,864,525</u>
 Present value of old debt cash flows	 \$ 43,858,206
Present value of new debt cash flows	<u>42,368,776</u>
 Economic gain	 <u>\$ 1,489,430</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,245,000	\$ 760,001	\$ 2,005,001
2015	3,755,000	733,305	4,488,305
2016	3,800,000	683,385	4,483,385
2017	3,875,000	606,373	4,481,373
2018	3,995,000	514,090	4,509,090
2019-2022	<u>15,720,000</u>	<u>870,392</u>	<u>16,590,392</u>
	<u>\$ 32,390,000</u>	<u>\$ 4,167,546</u>	<u>\$ 36,557,546</u>

Although the 2012 Series B refundings resulted in the recognition of an accounting loss of \$1,801,411 for the year ended June 30, 2013, the District in effect decreased its aggregate debt service payments by \$3.4 million over the next nine years and obtained an economic gain of \$3.2 million.

Calculation of the difference in cash flow requirements and economic loss are as follows:

Old debt service cash flows	\$ 42,764,528
New debt service cash flows	<u>39,416,906</u>
Cash flow difference	<u>\$ 3,347,622</u>
Present value of old debt cash flows	\$ 35,655,176
Present value of new debt cash flows	<u>32,445,822</u>
Economic gain	<u>\$ 3,209,354</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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bonds

During 1999 and 2000, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology (CART) totaling \$12,000,000 and \$7,200,000, respectively. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers. During the year ended June 30, 2013, the remaining balance of the 1999 QZAB was paid in full, and only the 2000 QZAB had an outstanding balance at the end of the year.

Lease payments are made by both districts for an equal share of the funds necessary to repay the principal of the bonds. At June 30, 2013, Fresno Unified School District's share of the principal amount for the 2000 QZAB was \$3,600,000, with an annual required lease payment of \$170,425. The lease payment is to be placed in a Guaranteed Investment Contract paying interest at 6.730%. Principal payment and earned interest are projected to be sufficient to retire the outstanding 2000 QZAB principal balance by October 31, 2013.

The following is a schedule of the future payments for the 2000 QZAB Lease Revenue Bonds:

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2014	\$ <u>227,003</u>

Public Agency Retirement System

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

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2014	\$ 7,776,793
2015	7,776,793
2016	<u>7,776,792</u>
Total payments remaining	<u>\$ 23,330,378</u>

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

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:

Year Ending <u>June 30,</u>	Annual <u>Payments</u>
2014	\$ 117,084
2015	117,084
2016	117,084
2017	117,084
2018	96,933
2019-2022	<u>233,391</u>
Total payments remaining	<u>\$ 798,660</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2013 is shown below:

	Balance <u>July 1, 2012</u>	Additions	Deletions	Balance <u>June 30, 2013</u>	Amounts Due Within <u>One Year</u>
General Obligation Bond	\$ 386,208,505	\$ 72,285,000	\$ 82,250,496	\$ 376,243,009	\$ 15,809,729
Unamortized premiums	1,387,416	2,490,538	199,949	3,678,005	203,123
Accreted interest	6,047,429	6,537,032	5,129,467	7,454,994	-
QZABs	1,169,909	-	942,906	227,003	227,003
PARS	31,107,170	-	7,776,792	23,330,378	7,776,792
PG&E energy savings loans	-	857,202	58,542	798,660	117,084
Other postemployment benefits (Note 9)	226,478,242	71,531,445	32,370,397	265,639,290	-
Compensated absences	<u>2,416,448</u>	<u>157,980</u>	<u>-</u>	<u>2,574,428</u>	<u>2,574,428</u>
Totals	<u>\$ 654,815,119</u>	<u>\$ 153,859,197</u>	<u>\$ 128,728,549</u>	<u>\$ 679,945,767</u>	<u>\$ 26,708,159</u>

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

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

7. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2013:

	<u>Governmental Activities</u>
Unspent categorical program revenues	\$ 7,722,824
Special revenues	605,025
Capital projects	70,111,928
Debt service	25,430,995
Self-insurance	<u>36,435,204</u>
	<u>\$ 140,305,976</u>
	<u>Business-Type Activities</u>
Food service operations	<u>\$ 9,364,451</u>

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

7. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2013 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 82,651	\$ -	\$ -	\$ -	\$ 82,651
Prepaid expenditures	44,948	-	-	13,860	58,808
Stores inventory	<u>1,304,951</u>	<u>-</u>	<u>-</u>	<u>14,394</u>	<u>1,319,345</u>
Subtotal nonspendable	<u>1,432,550</u>	<u>-</u>	<u>-</u>	<u>28,254</u>	<u>1,460,804</u>
Restricted:					
Unspent categorical revenues	7,722,824	-	-	-	7,722,824
Adult education	-	-	-	286,485	286,485
Child development	-	-	-	56,136	56,136
Charter schools	-	-	-	234,150	234,150
Capital projects	-	36,869,989	20,285,506	12,956,433	70,111,928
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,430,995</u>	<u>25,430,995</u>
Subtotal restricted	<u>7,722,824</u>	<u>36,869,989</u>	<u>20,285,506</u>	<u>38,964,199</u>	<u>103,842,518</u>
Assigned:					
Middle school math professional development	1,282,674	-	-	-	1,282,674
Technology one-time funds	732,376	-	-	-	732,376
Donations	362,818	-	-	-	362,818
Middle school programs	255,233	-	-	-	255,233
Other assignments	<u>311,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,227</u>
Subtotal assigned	<u>2,944,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,944,328</u>
Unassigned:					
Designated for economic uncertainty	<u>66,570,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,570,939</u>
Total fund balances	<u>\$ 78,670,641</u>	<u>\$ 36,869,989</u>	<u>\$ 20,285,506</u>	<u>\$ 38,992,453</u>	<u>\$174,818,589</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$9,361,116, \$9,286,647 and \$10,100,950, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$25,623,814, \$23,631,146 and \$23,763,908, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

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

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

Annual required contribution	\$ 70,539,895
Interest on net OPEB obligation	11,323,912
Adjustment to annual required contribution	<u>(10,332,362)</u>
Annual OPEB cost (expense)	71,531,445
Contributions made	<u>(32,370,397)</u>
Increase in net OPEB obligation	39,161,048
Net OPEB obligation - beginning of year	<u>226,478,242</u>
Net OPEB obligation - end of year	<u><u>\$265,639,290</u></u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 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, 2011	\$ 84,996,271	34.0%	\$ 172,467,081
June 30, 2012	\$ 87,800,894	38.5%	\$ 226,478,242
June 30, 2013	\$ 71,531,445	45.3%	\$ 265,639,290

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was \$956 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$377 million, and the ratio of the UAAL to the covered payroll was 254 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

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, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 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, 2013, was 25 years.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2012 (the most recent information available):

Total assets	\$ 127,927,513
Total liabilities	\$ 127,561,811
Net assets	\$ 365,702
Total revenues	\$ 3,428,172
Total expenses	\$ 4,091,312
Change in net assets	\$ (663,140)

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

11. CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2013, the District has \$43.7 million in outstanding commitments on construction contracts.

12. FINANCIAL RESPONSIBILITY

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. FINANCIAL RESPONSIBILITY (Continued)

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

The District continues to maintain a positive reserve in the current and future years as shown in the 2013/14 adopted budget and includes a conservative reserve to plan for the implementation of the Local Control Funding Formula. The District has maintained a positive financial position since 2006/07 as reflected by Moody's continued affirmation of the District's credit rating of Aa3 since 2010 during a time when other agencies have been lowered.

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

13. SUBSEQUENT EVENTS

In August 2013, the District issued 2010 General Obligation Refunding Bonds, Series C totaling \$55,596,095. The Series C bonds will bear an interest rate ranging from 1.0% to 5.0% and mature through August 1, 2046.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 285,857,811	\$ 313,136,924	\$ 310,331,579	\$ (2,805,345)
Local sources	<u>39,224,586</u>	<u>40,026,576</u>	<u>41,632,883</u>	<u>1,606,307</u>
Total revenue limit	<u>325,082,397</u>	<u>353,163,500</u>	<u>351,964,462</u>	<u>(1,199,038)</u>
Federal sources	104,047,252	106,229,680	93,071,273	(13,158,407)
Other state sources	152,992,235	156,729,082	154,134,523	(2,594,559)
Other local sources	<u>13,328,298</u>	<u>15,913,587</u>	<u>11,642,717</u>	<u>(4,270,870)</u>
Total revenues	<u>595,450,182</u>	<u>632,035,849</u>	<u>610,812,975</u>	<u>(21,222,874)</u>
Expenditures:				
Certificated salaries	291,951,629	293,469,689	289,798,339	3,671,350
Classified salaries	88,372,501	89,335,441	88,796,993	538,448
Employee benefits	137,735,307	147,028,021	143,918,242	3,109,779
Books and supplies	42,524,936	43,967,292	28,243,605	15,723,687
Contract services and operating expenditures	65,106,870	63,716,138	55,623,142	8,092,996
Capital outlay	548,318	1,352,823	532,959	819,864
Other outgo	1,664,823	2,093,816	2,017,818	75,998
Debt service:				
Principal retirement	<u>478,058</u>	<u>478,058</u>	<u>1,001,448</u>	<u>(523,390)</u>
Total expenditures	<u>628,382,442</u>	<u>641,441,278</u>	<u>609,932,546</u>	<u>31,508,732</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(32,932,260)</u>	<u>(9,405,429)</u>	<u>880,429</u>	<u>10,285,858</u>
Other financing sources (uses):				
Operating transfers in	4,697,728	4,803,328	1,794,445	(3,008,883)
Operating transfers out	(9,672,547)	(9,722,547)	(6,736,263)	2,986,284
Proceeds from issuance of long-term liabilities	<u>-</u>	<u>-</u>	<u>857,202</u>	<u>857,202</u>
Total other financing uses	<u>(4,974,819)</u>	<u>(4,919,219)</u>	<u>(4,084,616)</u>	<u>834,603</u>
Net change in fund balance	(37,907,079)	(14,324,648)	(3,204,187)	11,120,461
Fund balance, July 1, 2012	<u>81,874,828</u>	<u>81,874,828</u>	<u>81,874,828</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 43,967,749</u>	<u>\$ 67,550,180</u>	<u>\$ 78,670,641</u>	<u>\$ 11,120,461</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, 2013

<u>Schedule of Funding Progress</u>							
<u>Fiscal Year Ended</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>
6/30/08	July 1, 2007	\$ -	\$ 758,000,000	\$ 758,000,000	0%	\$ 437,000,000	173%
6/30/09	July 1, 2007	\$ -	\$ 758,000,000	\$ 758,000,000	0%	\$ 437,000,000	173%
6/30/10	July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 444,000,000	220%
6/30/11	July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 426,000,000	230%
6/30/12	July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 385,000,000	255%
6/30/13	July 1, 2012	\$ -	\$ 956,000,000	\$ 956,000,000	0%	\$ 377,000,000	254%

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2013

	<u>Charter Schools Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>	<u>Total</u>
ASSETS									
Cash in County Treasury	\$ 88,550	\$ 53,854	\$ 1,440,788	\$ 21,138	\$ 6,544,572	\$ 1,676,783	\$ 25,365,980	\$ 24,578	\$ 35,216,243
Cash on hand and in banks	-	3,522	-	-	-	-	-	-	3,522
Cash awaiting deposit	-	-	-	-	28,810	-	-	-	28,810
Receivables	885,029	507,206	407,776	650	14,796	14,429	65,015	73	1,894,974
Prepaid expenditures	-	13,860	-	-	-	-	-	-	13,860
Due from other funds	-	1,352,191	2,462,749	92,539	4,713,385	5,533,083	-	-	14,153,947
Stores inventory	-	14,394	-	-	-	-	-	-	14,394
Total assets	\$ 973,579	\$ 1,945,027	\$ 4,311,313	\$ 114,327	\$ 11,301,563	\$ 7,224,295	\$ 25,430,995	\$ 24,651	\$ 51,325,750
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 679,963	\$ 89,422	\$ 152,157	\$ 47,381	\$ 38,547	\$ -	\$ -	\$ -	\$ 1,007,470
Due to other funds	59,466	1,540,866	4,103,020	66,946	5,505,336	25,542	-	24,651	11,325,827
Total liabilities	739,429	1,630,288	4,255,177	114,327	5,543,883	25,542	-	24,651	12,333,297
Fund balances:									
Nonspendable	-	28,254	-	-	-	-	-	-	28,254
Restricted	234,150	286,485	56,136	-	5,757,680	7,198,753	25,430,995	-	38,964,199
Total fund balance	234,150	314,739	56,136	-	5,757,680	7,198,753	25,430,995	-	38,992,453
Total liabilities and fund balances	\$ 973,579	\$ 1,945,027	\$ 4,311,313	\$ 114,327	\$ 11,301,563	\$ 7,224,295	\$ 25,430,995	\$ 24,651	\$ 51,325,750

FRESNO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2013

	Charter Schools Fund	Adult Education Fund	Child Develop- ment Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total
Revenues:									
Reserve limit source									
State appointment	\$ 1,169,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,169,558
Local sources	<u>151,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,712</u>
Total revenue limit	<u>1,321,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,321,270</u>
Federal sources	-	1,151,015	1,223,664	-	-	-	-	-	2,374,679
Other state sources	433,469	170,085	5,573,588	-	-	-	499,858	443	6,677,443
Other local sources	<u>-</u>	<u>738,215</u>	<u>31,523</u>	<u>10,335</u>	<u>1,786,371</u>	<u>79,141</u>	<u>33,982,199</u>	<u>39,830</u>	<u>36,667,614</u>
Total revenues	<u>1,754,739</u>	<u>2,059,315</u>	<u>6,828,775</u>	<u>10,335</u>	<u>1,786,371</u>	<u>79,141</u>	<u>34,482,057</u>	<u>40,273</u>	<u>47,041,006</u>
Expenditures:									
Certificated salaries	795,533	2,053,704	3,336,052	-	-	-	-	-	6,185,289
Classified salaries	153,920	1,179,026	1,534,535	-	-	7,466	-	-	2,874,947
Employee benefits	331,405	1,249,823	1,561,831	-	-	3,885	-	-	3,146,944
Books and supplies	41,533	298,138	122,968	483,804	-	-	-	-	946,443
Contract services and operating expenditures	198,198	1,025,335	366,303	2,285,353	236,582	1,382	-	-	4,113,153
Capital outlay	-	17,457	-	-	826,038	-	-	-	843,495
Debt service:									
Principal retirement	-	-	-	-	-	-	18,396,754	-	18,396,754
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,567,388</u>	<u>-</u>	<u>14,567,388</u>
Total expenditures	<u>1,520,589</u>	<u>5,823,483</u>	<u>6,921,689</u>	<u>2,769,157</u>	<u>1,062,620</u>	<u>12,733</u>	<u>32,964,142</u>	<u>-</u>	<u>51,074,413</u>
(Deficiency) excess of revenues (under) over expenditures	<u>234,150</u>	<u>(3,764,168)</u>	<u>(92,914)</u>	<u>(2,758,822)</u>	<u>723,751</u>	<u>66,408</u>	<u>1,517,915</u>	<u>40,273</u>	<u>(4,033,407)</u>
Other financing sources (uses):									
Operating transfers in	-	3,917,145	226,711	342,407	-	-	-	-	4,486,263
Operating transfers out	-	(5,380)	(201,404)	-	(805,336)	(20,450)	-	(40,273)	(1,072,843)
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,850</u>	<u>-</u>	<u>16,850</u>
Total other financing sources (uses)	<u>-</u>	<u>3,911,765</u>	<u>25,307</u>	<u>342,407</u>	<u>(805,336)</u>	<u>(20,450)</u>	<u>16,850</u>	<u>(40,273)</u>	<u>3,430,270</u>
Net change in fund balances	234,150	147,597	(67,607)	(2,416,415)	(81,585)	45,958	1,534,765	-	(603,137)
Fund balances, July 1, 2012	<u>-</u>	<u>167,142</u>	<u>123,743</u>	<u>2,416,415</u>	<u>5,839,265</u>	<u>7,152,795</u>	<u>23,896,230</u>	<u>-</u>	<u>39,595,590</u>
Fund balances, June 30, 2013	<u>\$ 234,150</u>	<u>\$ 314,739</u>	<u>\$ 56,136</u>	<u>\$ -</u>	<u>\$ 5,757,680</u>	<u>\$ 7,198,753</u>	<u>\$ 25,430,995</u>	<u>\$ -</u>	<u>\$ 38,992,453</u>

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ 87,193	\$ 51,773	\$ 35,420
Cash on hand and in banks	427,665	2,339,732	2,333,108	434,289
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 427,665</u>	<u>\$ 2,426,925</u>	<u>\$ 2,384,881</u>	<u>\$ 469,709</u>
Liabilities:				
Due to student groups	<u>\$ 427,665</u>	<u>\$ 2,426,925</u>	<u>\$ 2,384,881</u>	<u>\$ 469,709</u>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	253,029	883,379	911,923	224,485
Stores inventory	<u>13,697</u>	<u>140,966</u>	<u>153,733</u>	<u>930</u>
Total assets	<u>\$ 266,726</u>	<u>\$ 1,024,345</u>	<u>\$ 1,065,656</u>	<u>\$ 225,415</u>
Liabilities:				
Due to student groups	<u>\$ 266,726</u>	<u>\$ 1,024,345</u>	<u>\$ 1,065,656</u>	<u>\$ 225,415</u>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	7,470	500	701	7,269
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,470</u>	<u>\$ 500</u>	<u>\$ 701</u>	<u>\$ 7,269</u>
Liabilities:				
Due to student groups	<u>\$ 7,470</u>	<u>\$ 500</u>	<u>\$ 701</u>	<u>\$ 7,269</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	1,224,448	2,711,592	2,713,355	1,222,685
Stores inventory	<u>18,898</u>	<u>60,792</u>	<u>67,938</u>	<u>11,752</u>
Total assets	<u>\$ 1,243,346</u>	<u>\$ 2,772,384</u>	<u>\$ 2,781,293</u>	<u>\$ 1,234,437</u>
Liabilities:				
Due to student groups	<u>\$ 1,243,346</u>	<u>\$ 2,772,384</u>	<u>\$ 2,781,293</u>	<u>\$ 1,234,437</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ 87,193	\$ 51,773	\$ 35,420
Cash on hand and in banks	1,912,612	5,935,203	5,959,087	1,888,728
Stores inventory	<u>32,595</u>	<u>201,758</u>	<u>221,671</u>	<u>12,682</u>
Total assets	<u>\$ 1,945,207</u>	<u>\$ 6,224,154</u>	<u>\$ 6,232,531</u>	<u>\$ 1,936,830</u>
Liabilities:				
Due to student groups	<u>\$ 1,945,207</u>	<u>\$ 6,224,154</u>	<u>\$ 6,232,531</u>	<u>\$ 1,936,830</u>

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2013

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

The Board of Education at June 30, 2013 was comprised of the following members:

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

The Superintendent's Executive Staff at June 30, 2013 was comprised of the following:

Michael E. Hanson Superintendent		
Ruth F. Quinto Deputy Superintendent, Chief Financial Officer Administrative Services		Misty Her Assistant Superintendent, School Leadership K-6
Kim Mecum Associate Superintendent, Human Resources / Labor Relations		Holland Locker Assistant Superintendent, School Leadership, K-6
Michael Neece Chief Academic Officer		Katie Russell Assistant Superintendent, School Leadership, K-6
David Christiansen Associate Superintendent, School Support Services		Rosario Sanchez Assistant Superintendent, School Leadership, K-6
Jorge Aguilar Associate Superintendent, Equity and Access, REA and Acct		Julie Severns Assistant Superintendent, School Leadership, K-8
David Chavez Chief of Staff		Steve Martinez Assistant Superintendent, School Leadership, 7-8
Kurt Madden Chief Technology Officer		Brian Wall Assistant Superintendent, School Leadership 9-12
Jamilah Frasier Chief Information Officer Communications Office		Cheryl Hunt Assistant Superintendent, Special Education & Health Services
Karin Temple Assistant Superintendent, Operational Services		Jacquie Canfield Executive Officer, Fiscal Services
Maria Maldonado Assistant Superintendent, English Learner Services		Kim Kelstrom Director, Fiscal Services

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2013

	<u>Original Second Period Report</u>	<u>Audited Second Period Report*</u>	<u>Annual Report</u>
Elementary:			
Kindergarten	5,800	5,824	5,839
First through Third	16,469	16,478	16,454
Fourth through Eighth	24,137	24,138	24,037
Special Education	1,441	1,444	1,457
Community Day School	51	48	53
Home and Hospital	9	8	11
Non Public Schools	<u>4</u>	<u>4</u>	<u>4</u>
Subtotal Elementary	<u>47,911</u>	<u>47,944</u>	<u>47,855</u>
Secondary:			
Regular Classes	16,626	16,620	16,253
Special Education	811	811	802
Community Day School	20	19	26
Compulsory Continuation Education	545	613	604
Home and Hospital	6	6	7
Non Public Schools	<u>1</u>	<u>1</u>	<u>1</u>
Subtotal Secondary	<u>18,009</u>	<u>18,070</u>	<u>17,693</u>
Sunset Charter School - Classroom-based:			
Kindergarten	39	39	39
First through Third	123	123	123
Fourth through Eighth	<u>95</u>	<u>95</u>	<u>94</u>
Subtotal Charter School	<u>257</u>	<u>257</u>	<u>256</u>
District Total	<u><u>66,177</u></u>	<u><u>66,271</u></u>	<u><u>65,804</u></u>

* Reflects the adjustment for disallowance of 2.78 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, 2013

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>District:</u>							
Kindergarten	36,000	35,000	31,680	30,800	36,000	180	In Compliance
Grade 1	50,400	49,000	43,095	41,898	54,940	180	In Compliance
Grade 2	50,400	49,000	43,095	41,898	54,940	180	In Compliance
Grade 3	50,400	49,000	43,095	41,898	54,940	180	In Compliance
Grade 4	54,000	52,500	54,000	52,500	54,940	180	In Compliance
Grade 5	54,000	52,500	54,000	52,500	54,940	180	In Compliance
Grade 6	54,000	52,500	54,000	52,500	54,940	180	In Compliance
Grade 7	54,000	52,500	54,000	52,500	59,510	180	In Compliance
Grade 8	54,000	52,500	54,000	52,500	59,510	180	In Compliance
Grade 9	64,800	63,000	54,560	53,044	64,801	180	In Compliance
Grade 10	64,800	63,000	54,560	53,044	64,801	180	In Compliance
Grade 11	64,800	63,000	54,560	53,044	64,801	180	In Compliance
Grade 12	64,800	63,000	54,560	53,044	64,801	180	In Compliance
<u>Sunset Charter School:</u>							
Kindergarten	36,000	34,971	N/A	N/A	46,745	180	In Compliance
Grade 1	50,400	48,960	N/A	N/A	55,440	180	In Compliance
Grade 2	50,400	48,960	N/A	N/A	55,440	180	In Compliance
Grade 3	50,400	48,960	N/A	N/A	55,440	180	In Compliance
Grade 4	54,000	52,457	N/A	N/A	55,440	180	In Compliance
Grade 5	54,000	52,457	N/A	N/A	55,440	180	In Compliance
Grade 6	54,000	52,457	N/A	N/A	55,440	180	In Compliance
Grade 7	54,000	52,457	N/A	N/A	55,440	180	In Compliance
Grade 8	54,000	52,457	N/A	N/A	55,440	180	In Compliance

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Cluster:		
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 50,121,096
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>48,152</u>
	Subtotal NCLB: Title I Cluster		<u>50,169,248</u>
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,887,445
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	570,911
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	379,904
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	2,231
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	<u>687,434</u>
	Subtotal Special Education Cluster		<u>15,527,925</u>
	School Improvement Grants Cluster:		
84.377	NCLB: Title I, School Improvement Grant	15127	572,165
84.388	ARRA: NCLB: Title I, School Improvement Grant (SIG)	15020	<u>4,545,536</u>
	Subtotal School Improvement Grants Cluster		<u>5,117,701</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)

For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.330	NCLB: Title I, Part G: Advanced Placement Test Fee Reimbursement Program	14831	\$ 117,000
84.011	Migrant Ed Program: NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	767,857
84.011	NCLB: Title I, Migrant Ed Summer Program	10005	<u>194,512</u>
	Subtotal Migrant Ed Program		<u>962,369</u>
84.367	NCLB: Title II, Part A Program: NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	6,682,029
84.367	NCLB: Title II, Part A, Administrator Training	14344	<u>19,269</u>
	Subtotal NCLB: Title II, Part A Program		<u>6,701,298</u>
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	1,936,577
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	446,121
84.002A	Adult Education Program: Adult Education: Adult Basic Education & ESL	14508	536,946
84.002	Adult Education: Adult Secondary Education	13978	175,535
84.002A	Adult Education: English Literacy and Civics Education	14109	171,526
84.002	Adult Education: Citizenship and Integration Direct Services Grant Program	-	<u>76,751</u>
	Subtotal Adult Education Program		<u>960,758</u>
84.048	Carl D. Perkins Career and Tech Education Program: Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	953,835
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	190,257
	Subtotal Carl D. Perkins Career and Tech Education Program		<u>1,144,092</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)

For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Community School Programs:		
84.215J	Full Service Community Schools Program	-	\$ 694,958
84.215J	Smaller Learning Communities	-	625,490
84.215L	Elementary and Secondary School Counseling	-	<u>412,173</u>
	Subtotal Community School Programs		<u>1,732,621</u>
84.060	Indian Education	10011	61,839
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.350	Transition to Teaching	-	370,265
84.184E	Readiness and Emergency Management for Schools	-	141,466
84.410	Education Jobs Fund	25152	<u>6,642,433</u>
	Total U.S. Department of Education		<u>92,127,587</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Development: Quality Improvement Activities	13979	1,017,258
93.596	Child Development: Federal General and Preschool, Family Child Care Home	13609	576
93.778	Department of Health Services: Medi-Cal Billing Option	10013	<u>1,809,604</u>
	Total U.S. Department of Health and Human Services		<u>2,827,438</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	205,830
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	34,066,384
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,120,646</u>
	Total U.S. Department of Agriculture		<u>35,392,860</u>
	Total Federal Programs		<u>\$ 130,347,885</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, 2013

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

See accompanying notes to
supplemental information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2013

(UNAUDITED)

	(Adopted Budget) 2014	2013	2012	2011
<u>General Fund</u>				
Revenues and other financing sources	<u>\$617,199,249</u>	<u>\$613,464,622</u>	<u>\$638,049,740</u>	<u>\$649,936,034</u>
Expenditures	647,461,084	609,932,546	606,533,952	636,551,531
Other uses and transfers out	<u>6,773,554</u>	<u>6,736,263</u>	<u>14,473,554</u>	<u>10,463,522</u>
Total outgo	<u>654,234,638</u>	<u>616,668,809</u>	<u>621,007,506</u>	<u>647,015,053</u>
Change in fund balance	<u>\$ (37,035,389)</u>	<u>\$ (3,204,187)</u>	<u>\$ 17,042,234</u>	<u>\$ 2,920,981</u>
Ending fund balance	<u>\$ 41,635,252</u>	<u>\$ 78,670,641</u>	<u>\$ 81,874,828</u>	<u>\$ 64,832,594</u>
Available reserves	<u>\$ 43,590,465</u>	<u>\$ 66,570,939</u>	<u>\$ 63,136,220</u>	<u>\$ 53,973,880</u>
Designated for economic uncertainties	<u>\$ 43,590,465</u>	<u>\$ 66,570,939</u>	<u>\$ 63,136,220</u>	<u>\$ 53,973,880</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>6.66%</u>	<u>10.80%</u>	<u>10.17%</u>	<u>8.34%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$653,237,608</u>	<u>\$679,945,767</u>	<u>\$654,815,119</u>	<u>\$493,729,834</u>
Average daily attendance at P-2, (excludes classes for adults and charter schools)	<u>65,671</u>	<u>66,271</u>	<u>66,350</u>	<u>66,565</u>

The General Fund fund balance has increased by \$16,759,028 over the past three years. The fiscal year 2013-14 budget projects a decrease of \$37,035,389. 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, 2013, the District has met this requirement.

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

Total long-term liabilities have increased by \$186,215,933 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance, excluding classes for adults and charter schools, has decreased by 294 over the past two years. A decrease of 600 ADA is projected for the 2013-2014 fiscal year.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2013

<u>Charter Schools Chartered by District</u>	Included in District Financial Statements, or <u>Separate Report</u>
Fresno Academy of Civic and Entrepreneurial Leadership	Separate Report
Dailey Elementary Charter School	Separate Report
New Millennium Institute of Education	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
Sunset Charter School	Included in District financial statements, in the General Fund

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 129,512,336
Add: Medi-Cal Billing Funds expended in excess of revenues	93.778	<u>835,549</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 130,347,885</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2012-2013 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2013, the District did not adopt such a program.

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

Audit Committee
 Fresno Unified School District
 Fresno, California

Report on Compliance with State Laws and Regulations

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes
CART - Education Code Section 42238.20	10	Yes

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

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 Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

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

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

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of Fresno Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Fresno Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Fresno Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2013-02 in the accompanying Schedule of Audit Findings and Questioned Costs, Fresno Unified School District did not comply with requirements regarding absence documentation. Compliance with such requirements is necessary, in our opinion, for Fresno Unified School District to comply with state laws and regulations applicable to Attendance Reporting.

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, 2013. 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.

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



Crowe Horwath LLP

Sacramento, California
December 4, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2013.

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 other matters involving internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2013-01.

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 4, 2013

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, 2013. 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, 2013.

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.

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 4, 2013

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.377, 84,388 84.010 84.367	School Improvement Grants Cluster (includes ARRA) NCLB: Title I Cluster NCLB: Title II, Part A

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

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01 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 tested:

- Receipts are not issued when monies are turned into the office manager.
- Cash count forms for receipt of funds evidencing dual count of funds are not performed.
- No profit/loss statement is completed for the student store.
- Inventory counts are not reviewed or re-performed by an independent person.
- Minutes are not maintained to support disbursement approval from student council meetings.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Cash receipts should be issued when monies are turned into the office manager.
- Cash count forms should be performed evidencing dual count of funds for receipt of funds.
- Profit/loss statements should be completed for the student store.
- Inventory counts should be reviewed or re-performed by an independent person.
- Minutes supporting disbursement approval from the student council meetings should be maintained.

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 preparing required documentation for compliance and continue to monitor timeliness of submission of reports.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2013-02 DEFICIENCY - ATTENDANCE REPORTING (10000)

Criteria

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

Condition

- At Wawona Middle School 1 student was improperly included for a total misstatement of 1 day.
- At Tioga Middle School 1 student was improperly included for a total misstatement of 1 day.

Effect

The effect of this finding is an extrapolated overstatement of 2.78 ADA.

Cause

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

Fiscal Impact

The District is in declining enrollment and prior year ADA is used for the revenue limit calculation resulting in no current year fiscal impact.

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, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2012-01</p> <p>At various school sites tested, the following was noted:</p> <ul style="list-style-type: none"> • Receipt books are not consistently issued to students and/or faculty for fundraising events. • Receipts or detailed schedules of receipts being submitted to the school office are not being maintained. • Evidence of cash receipts being counted in dual custody when turned into the school office could not be obtained. • Evidence of administrator's approval of disbursements before check being initiated could not be obtained. • Deposits made to the bank are not being done in a timely manner. • Deposit slips did not reconcile to supporting receipts and/or detailed schedules. • Student store inventory is not counted or reviewed periodically. • Records of sales from student store are not reconciled to receipts for cash received. • School sites do not consistently prepare profit and loss statements for the student store and there is no review of the statements. 	<p>Partially implemented.</p>	<p>See current year finding 2013-01.</p>
<p>We recommend the following:</p> <ul style="list-style-type: none"> • Receipt books should be issued to all student groups to ensure that all funds raised are properly accounted for. • Receipt books issued to clubs should be tracked by the office manager to ensure receipts are turned in are complete. • Cash receipts should be dual counted and evidenced by dual signatures on the Cash Count form. • Cash disbursements should have a request for payment that is signed by an administrator and if applicable the student council evidenced by signatures on the form and supporting meeting minutes of the student council. 		

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2012-01 (Continued)		
<ul style="list-style-type: none"> • Deposits should be made at least once a week and should be reconciled to supporting schedules and receipts. 	Partially implemented.	See current year finding 2013-02
2012-02		
<ul style="list-style-type: none"> • At Wilson Elementary School two students were improperly included for a total misstatement of 3 days. • At Pyle Elementary School one student was improperly included for a total misstatement of 1 day. • At Ahwahnee Middle School one student was improperly included for a total misstatement of 1 day. • At Bullard Talent K-8 one student was improperly included for a total misstatement of 1 day. 		
<p>The District should revise Period Two Report of Attendance removing the disallowed attendance.</p>		