

**FRESNO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2017

FRESNO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
DEPUTY SUPERINTENDENT/CHIEF FINANCIAL OFFICER'S REPORT.....	4
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	23
STATEMENT OF ACTIVITIES.....	24
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	25
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	26
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	27
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	28
STATEMENT OF NET POSITION - PROPRIETARY FUND - SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES.....	30
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND - SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES.....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES.....	32
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND.....	33
NOTES TO FINANCIAL STATEMENTS.....	34

FRESNO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017  
(Continued)

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

GENERAL FUND BUDGETARY COMPARISON SCHEDULE.....	73
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS.....	74
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	75
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	77
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	79

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	80
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	81
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS.....	82
ORGANIZATION.....	84
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	85
SCHEDULE OF INSTRUCTIONAL TIME.....	86
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	87
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	90
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	91
SCHEDULE OF CHARTER SCHOOLS.....	92
NOTES TO SUPPLEMENTARY INFORMATION.....	93

FRESNO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017  
(Continued)

CONTENTS

SUPPLEMENTARY INFORMATION: (CONTINUED)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	95
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	98
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	100
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	102
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	106

## 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, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2017, 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, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of June 30, 2017, 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.

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(Continued)

## **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 22 and the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 73 to 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fresno Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Chief Financial Officer's Report and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Deputy Superintendent/Chief Financial Officer's Report, schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Deputy Superintendent/Chief Financial Officer's Report and the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Deputy Superintendent/Chief Financial Officer's Report and Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Deputy Superintendent/Chief Financial Officer's Report and the Schedule of Financial Trends and Analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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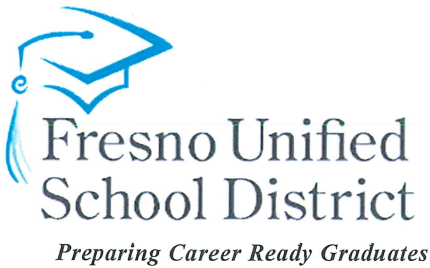
## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 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  
November 30, 2017



## BOARD OF EDUCATION

Brooke Ashjian, President  
Claudia Cazares, Clerk  
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## SUPERINTENDENT

Robert G. Nelson

December 13, 2017

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, 2017, 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 \$155,814,837.

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 and 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, 2016 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully Submitted,

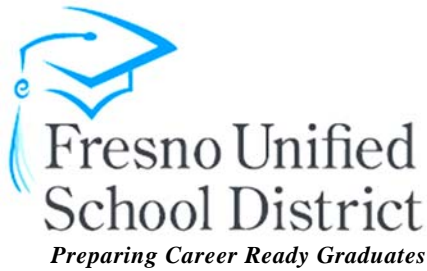
Ruth F. Quinto  
Deputy Superintendent/Chief Financial Officer



# Management Discussion and Analysis

## June 30, 2017

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The management of the Fresno Unified School District (the District), offers readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year which ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that is furnished in the letter of transmittal at the front of this report. This discussion and analysis provide a comparison between fiscal year 2016/17 and fiscal year 2015/16.

### ***FINANCIAL HIGHLIGHTS***

- The primary government has a net position deficit in governmental activities totaling \$441 million at June 30, 2017.
- The total net position of the District improved by \$5 million during fiscal year 2016/17. This is mainly due to an increase in the general fund unrestricted balance offset by the issuance of Measure Q, Series F Bond, continued investments into capital assets, an increase in post-retirement benefits, and increased net pension liabilities.
- Fund balance of the District's governmental funds increased by \$187 million resulting in an ending fund balance of \$421 million. The increase was due to a combination of the issuance of Measure Q, Series F and the crossover refunding of bonds offset by the construction of additional capital projects and savings in the General Fund primarily from approved one-time costs that were carried over into 2017/18. The crossover refunding proceeds were deposited into an irrevocable trust fund until the original bonds are due beginning in 2021.
- At the end of the 2016/17 fiscal year, the fund surplus in the District's Unrestricted General Fund increased by \$60.7 million resulting in an ending fund balance of \$147.9 million. This was mainly due to an increase in LCFF revenues, offset by a decrease in other state revenue, and decreased expenditures in books and supplies and transfers out to other sources, and carryover of programmed expenditures not completed in 2016/17 including the proposed salary increase, textbooks and one-time facility projects.
- Governmental Accounting Standards Board (GASB) Statement No. 68 recognizes the District's portion of the states California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) pension liabilities, deferred inflows, deferred outflows and pension expenses at June 30, 2017. The District is recognizing a net decrease of \$20 million in the net position as a result of the changes in net pension liability related deferred outflows and inflow of resources.
- GASB Statement No. 45 requires an actuarial valuation of the District's Retiree Health Benefits Plan. The District is required to recognize the Annual Retirement Contribution (ARC) on an annual basis for 30 years. The annual Other Post Employment Benefit (OPEB) cost of \$75.5 million for 2016/17 offset with the 2016/17 actual healthcare costs of \$39.0 million for District retirees and

# Management Discussion and Analysis

## June 30, 2017

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covered dependents. In addition, \$3.5 million transferred into an irrevocable trust from the General and Self Insurance Funds. The change of \$32.9 million is included as an increase to the OPEB liability. This is the tenth year the District has recognized a liability balance related to OPEB, which at June 30, 2017 was \$383 million.

- In 2017/18, GASB Statement No. 75 will require a full recognition of the post-employment liability balance and the requirement to recognize the ARC annually will expire.
- The District's long-term obligations increased by \$309 million to \$1.784 billion mainly due to an increase of pension liabilities, the issuance of Measure Q, Series F, the refunding of Measure Q, Series A and B, and GASB Statement No. 45 Retiree Health offset with continued payments to the general obligation bond debt.
- The District maintained a positive financial position for 2016/17 as reflected by Moody's credit rating of Aa3 issued in August 2016. In its report to potential investors, Moody's Investors Services noted the district's "stable financial position and strong management and governance team." The rating report incorporates the district's "trend of improvement in the district's financial position".

### ***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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### ***Government-wide Financial Statements***

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

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

The *Government-wide Financial Statements* consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues. The District's Government-wide Statements include the following types of funds: General, Special Revenue, Capital Project, Debt Service and Internal Service Funds.

# Management Discussion and Analysis

## June 30, 2017

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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 agent, or *fiduciary*, for certain funds.

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 Assets and Liabilities*.

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

### Fund Financial Statements

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

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

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

The District maintains 11 different governmental funds. At June 30, 2017, the major funds are the General Fund, the Bond Interest and Redemption Fund, and the Building Fund. 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 one type of proprietary funds which is the Self Insurance Fund.

The *Fund Financial Statements* of the proprietary 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.

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

### 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.

# Management Discussion and Analysis

## June 30, 2017

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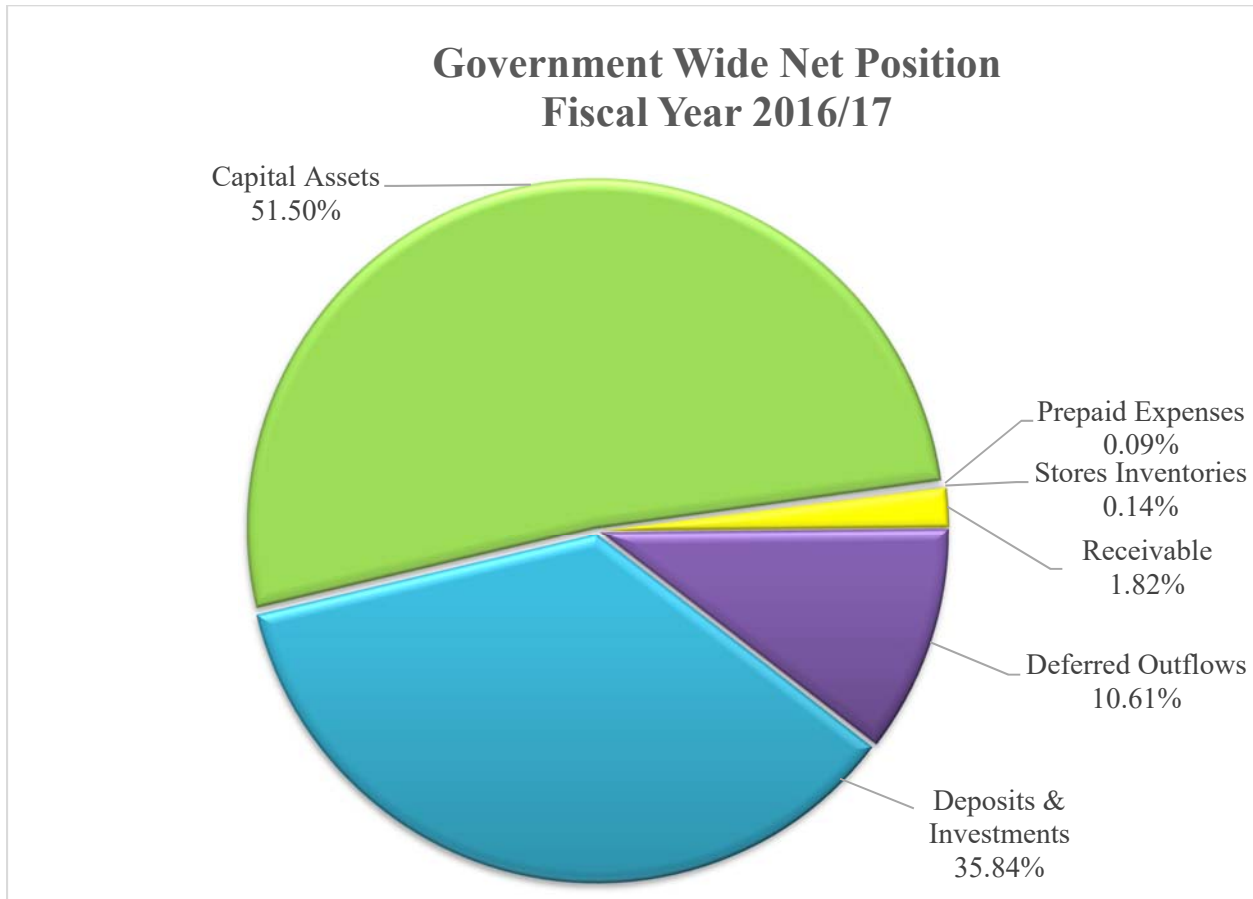
### Other Information

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Statement of Net Position

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
Current and other assets	\$ 577,606,995	\$ 406,949,604	41.94%
Capital assets	785,066,638	768,582,512	2.14%
<b>Total Assets</b>	<b>\$1,362,673,633</b>	<b>\$1,175,532,116</b>	<b>15.92%</b>
Deferred Outflows	161,711,762	82,537,729	95.92%
Current liabilities	151,719,108	170,174,604	(10.85%)
Long-term liabilities	1,783,729,652	1,474,833,962	20.94%
<b>Total Liabilities</b>	<b>\$1,935,448,760</b>	<b>\$1,645,008,566</b>	<b>17.66%</b>
Deferred Inflows	29,957,000	58,827,000	(49.08%)
Net invested in			
capital assets	186,530,977	363,461,951	(48.68)
Restricted	221,110,224	78,200,914	182.75%
Unrestricted	(848,661,566)	(887,428,586)	(4.37%)
<b>Total Net Position</b>	<b>\$(441,020,365)</b>	<b>\$(445,765,721)</b>	<b>(1.06%)</b>



*Government-wide Net Position*

The assets of the District are classified as follows: cash, investments, receivables, prepaid expenses, stores inventory, and capital assets. Current and other assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of state apportionment 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, unearned 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 2016/17 fiscal year. Long-term liabilities such as general obligation bonds, energy loans and compensated absences will be liquidated from resources that will become available after the 2016/17 fiscal year.

The Crossover Refunding of General Obligation Bonds Measure Q, Series A and B increased long-term liabilities by \$120 million and is offset by investments held in the irrevocable escrow trust fund with a fiscal agent until the bonds are due and payable. At this time, the investments held in escrow will be utilized to pay off the refunding bonds.

The liabilities and deferred inflows of the primary government activities exceed the assets and deferred outflows by \$441 million. Total net position of the primary government does not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

## Management Discussion and Analysis

### June 30, 2017

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A net investment of \$785 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 70,799 public school students represents 58% of the District's total assets. The table and chart above summarizes the District's government-wide net position.

The Cafeteria Fund's ending fund balance at June 30, 2017 was \$16.5 million, an increase of \$5.7 million. Key elements that highlight the activities in fiscal year 2016/17 are as follows:

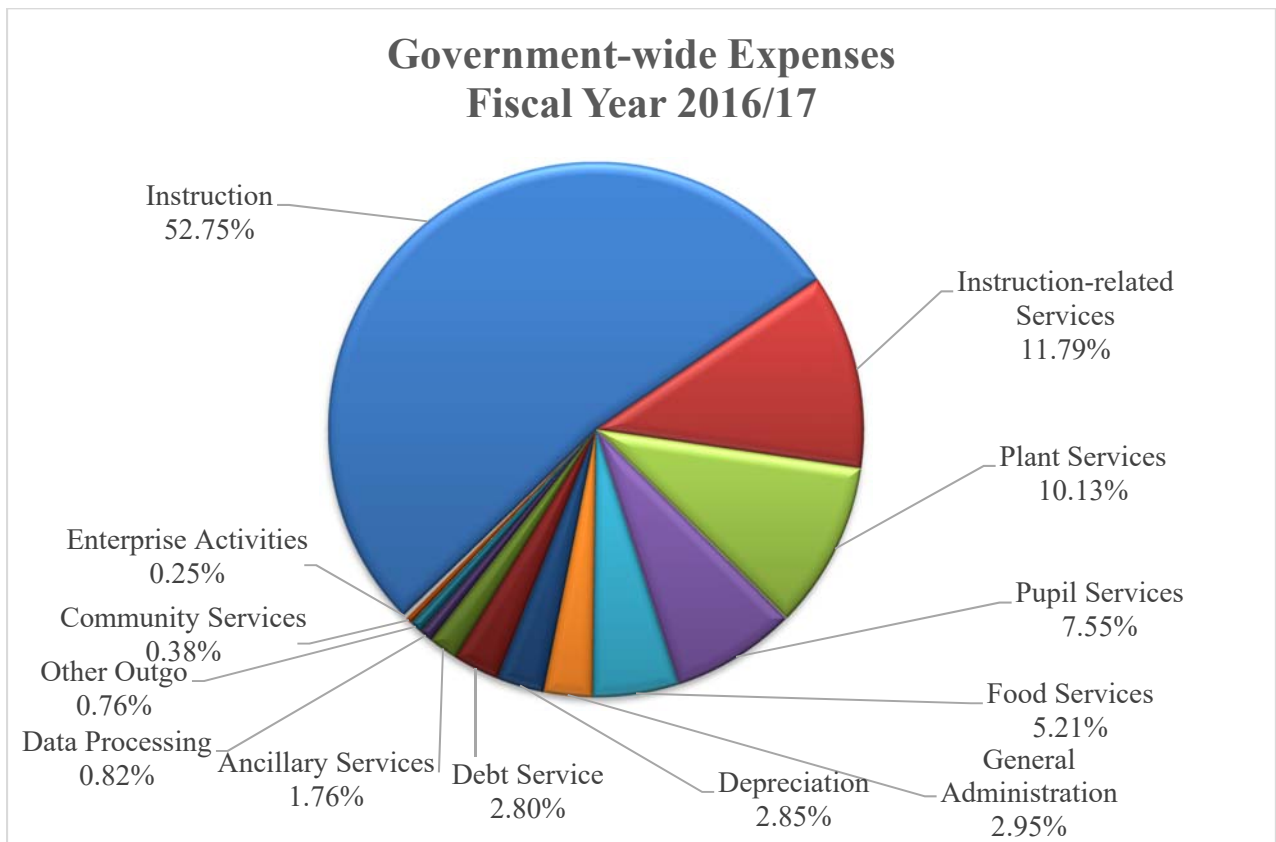
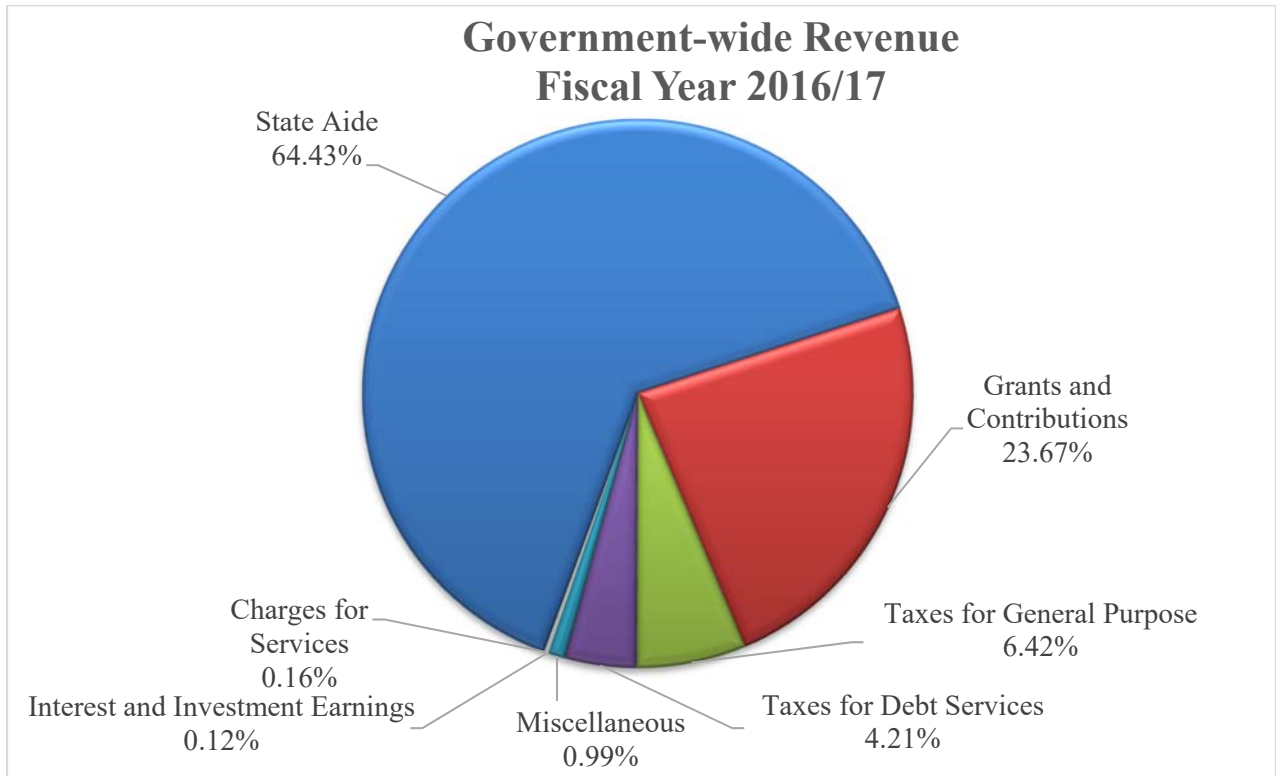
- Over 24,200 breakfasts, 57,800 lunches and 13,100 snacks per day were served, equating to 17,146,000 meals annually, which is an increase of 46,000 meals from the prior year.
- The District continues to participate in the National School Lunch and School Breakfast Programs under the Community Eligibility Provision (CEP), which allows all students at every site to receive a healthy breakfast, lunch, and snack every day at no charge.
- Meals are served at 107 locations, utilizing 551 full and part-time employees. The meals served have increased enabling the program to operate on the federal and state reimbursement without additional contribution from the unrestricted general fund.
- The lease payments for the nutrition center will expire in 2028.
- The fund balance has increased by \$3.0 million as a result of the successful expansion of the SuperSnack after school meal program. The program is in its 3rd year at 77 schools and Food Services will continue to expand participation and menu offerings in this meal program.

# Management Discussion and Analysis

## June 30, 2017

### Statement of Activities

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
Program Revenues			
Charges for Services	\$1,633,212	\$2,687,440	39.23%
Operating Grants & Contributions	236,283,200	232,822,613	1.49%
General Revenues			
Taxes and Subventions	106,506,764	98,482,258	8.15%
Federal and State Aid, Unrestricted	643,244,542	622,241,374	3.38%
Interest and Investment Earnings	1,199,314	3,121,704	61.58%
Other General Revenues	9,553,095	10,530,829	(9.28%)
Total Revenues	<u>\$998,420,127</u>	<u>\$969,886,218</u>	2.94%
Expenses			
Instruction	\$524,192,098	\$523,726,144	0.09%
Instructional Related	117,186,630	118,080,047	(0.76%)
Student Support Services	126,742,817	116,270,069	9.01%
General Administrative	37,440,958	36,349,838	3.00%
Maintenance and Operations	100,649,072	102,904,083	(2.19%)
Depreciation	28,302,546	29,537,204	(4.18%)
Other	59,160,650	54,973,740	7.62%
Total Expenses	<u>\$993,674,771</u>	<u>\$981,841,124</u>	1.21%
Change in Net Position	<u>\$ 4,745,356</u>	<u>\$ (11,954,907)</u>	(139.7%)





# Management Discussion and Analysis

## June 30, 2017

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Governmental activities – Capital Project Funds for the District provide the same type of information presented in the government-wide financial statements, but in greater detail. The following highlights significant activity in the District's capital project funds for fiscal year 2016/17.

- The County School Facilities Fund spent \$37.4 million on projects (Measure Q - \$36.6 million, Measure K - \$300,000, and Measure X - \$500,000).
- The County School Facilities Fund's major projects and activities included the following:
  - Construction and Maintenance major projects and activities totaling \$33.8 million:
    - Bullard High \$ 11.6 million
    - Figarden Elementary \$ 6.9 million
    - Turner Elementary \$ 5.8 million
    - New Southeast Site \$ 3.5 million
    - Baird Elementary \$ 2.1 million
    - Duncan High \$ 0.6 million
    - Slater Elementary \$ 0.5 million
    - Robinson Elementary \$ 0.5 million
    - 14 other sites \$ 2.3 million
  - Modernization Projects included the following sites totaling \$3.6 million:
    - McLane High \$ 0.6 million
    - Roosevelt High \$ 0.5 million
    - Duncan High \$ 0.5 million
    - Instructional Media Center \$ 0.5 million
    - Adult Education \$ 0.3 million
    - Elementary Marquees \$ 0.3 million
    - Rata High \$ 0.1 million
    - Tenaya Middle \$ 0.1 million
    - Ewing Elementary \$ 0.1 million
    - 54 other sites totaling \$ 0.6 million

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

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

The General Fund is the chief operating fund of the District. Student enrollment increased by 57 students during the fiscal year. The average daily funded attendance for fiscal year 2016/17 increased 132 ADA from the 2015/16 fiscal year. This increase amounts to approximately \$1.34 million.

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

### General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2016/17, Fresno Unified spent 56.69% towards classroom compensation.

# Management Discussion and Analysis

## June 30, 2017

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

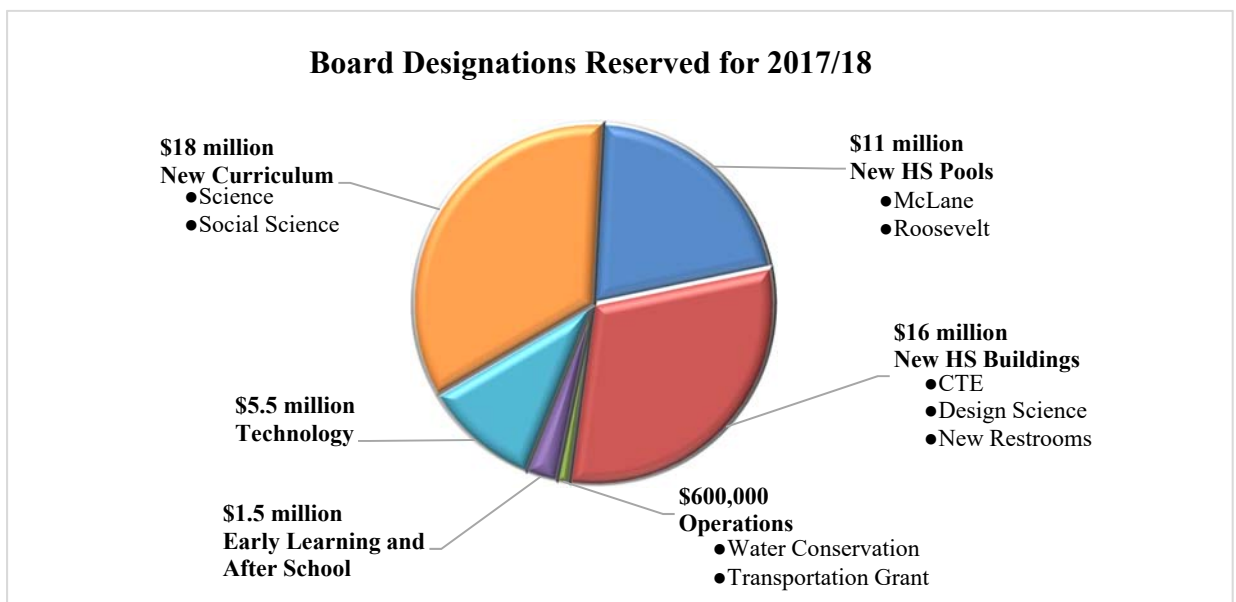
- Changes made to recognize revenue anticipated/received from sources outside the District
- Changes made to recognize expenses

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

The District as a general rule requires restricted budgets to stay within their State and/or Federal allocation. The major exceptions include Special Education, Ongoing & Major Maintenance account, Medi-Cal, Regional Occupation Program, and transportation grants. In addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources to the programs.

The adopted unrestricted ending balance at year-end for the 2016/17 budget was \$60 million. The actual ending balance was \$148 million. The difference of \$88 million is mainly due to the following:

- State lottery funds increased by \$1 million in 2015/16
- Actual expenditures in 2015/16 were lower than the adopted budget by \$11 million mainly due to:
  - Lower than anticipated expenditures in salaries, school site allocations and utilities
  - One-time savings from new programs such as Career Technical Education, Kids Invent, Focus/Designated Schools and Goal 2
  - Unanticipated reimbursements in transportation and maintenance
- Actual carryover in 2015/16 of one-time projects were higher than the adopted budget by \$7.5 million mainly for facilities, maintenance and professional learning
- An increase in LCFF revenues of \$4.5 million due to unanticipated increases in “gap” funding from the state, an increase in unduplicated pupil percentage and an increase in ADA
- The Board designated funds in the adopted budget for future projects or projects in process:
  - \$11 million for New Pools at McLane and Roosevelt High Schools
  - \$5.5 million for Technology Routers and Switches
  - \$16 million for New High School Buildings
    - \$7 million for Career Technical Education
    - \$6 million for Design Science
    - \$3 million for Renovated Restrooms
  - \$1.5 million for New Early Learning Restrooms and After School Programs
  - \$18 million for New Science and History Curriculum and Implementation
  - \$500,000 for Water Conservation Projects
  - \$100,000 for Transportation Grant Implementation
  - \$11 million for the current last, best, and final salary negotiations



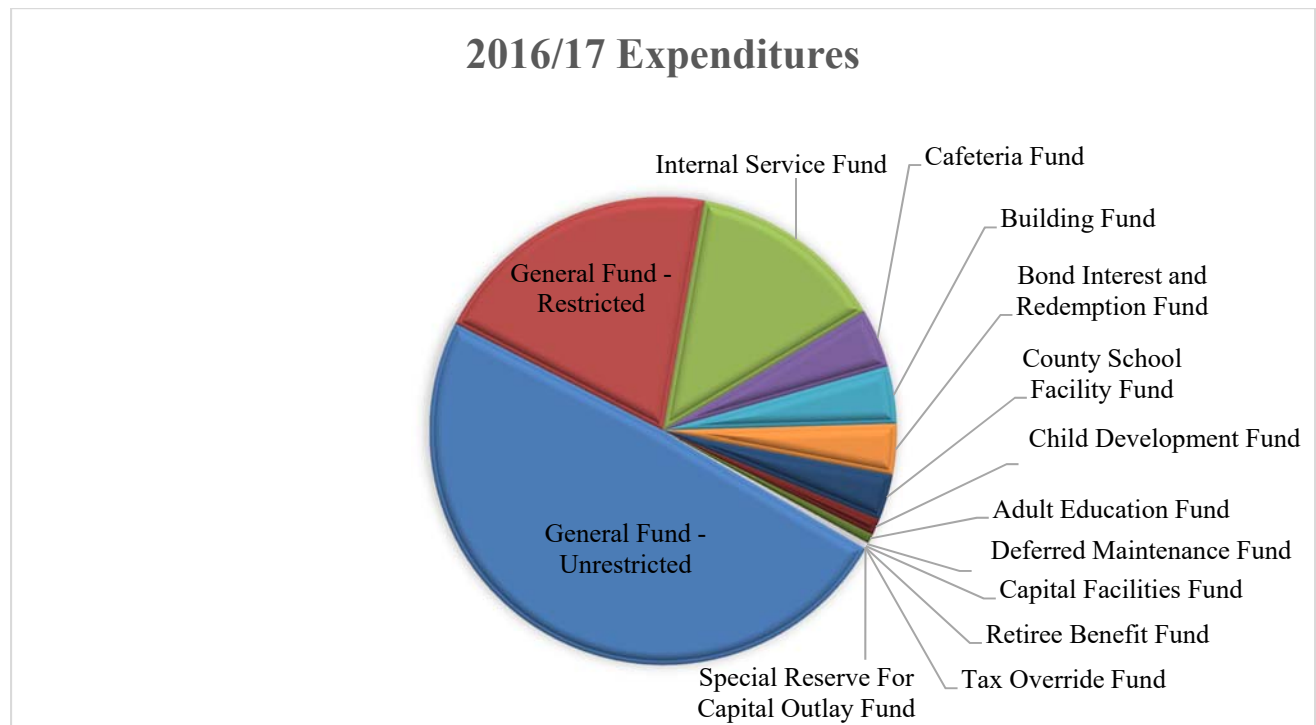
## Management Discussion and Analysis

### June 30, 2017

Total expenditures for 2016/17 were \$1.175 billion, representing an increase from 2015/16 of \$3 million as listed below (in millions):

Expenditures	2016/17 Unaudited Actuals	2015/16 Unaudited Actuals	Difference	% Change
General Fund - Unrestricted	\$ 579.1	\$ 593.0	\$ (13.9)	(2.3%)
General Fund - Restricted	237.9	233.8	4.1	1.7%
Internal Service Fund	160.5	153.0	7.5	4.9%
Cafeteria Fund	48.1	49.0	(0.9)	(1.9%)
Building Fund	46.7	39.6	7.1	18.1%
Bond Interest and Redemption Fund	40.8	38.7	2.1	5.4%
County School Facility Fund	37.4	36.7	0.7	1.8%
Child Development Fund	13.2	12.9	0.3	2.3%
Adult Education Fund	7.6	7.1	0.5	7.6%
Deferred Maintenance Fund	2.5	5.0	(2.5)	(49.2%)
Capital Facilities Fund	1.3	3.6	(2.3)	(63.9%)
Special Reserve For Capital Outlay Fund	0.5	0.1	0.4	275.5%
Retiree Benefit Fund <sup>(A)</sup>	0.0	0.0	0.0	0.0%
Tax Override Fund	0.0	0.0	0.0	0.0%
<b>Total</b>	<b>\$ 1,175.6</b>	<b>\$ 1,172.5</b>	<b>\$ 3.1</b>	<b>0.26%</b>

<sup>(A)</sup> The Retiree Benefit Fund is not included in the District's financial statements. The funds in the CEBRT are held in trust and will be administered by the CalPERS as an agent multiple-employer plan. The District's contributions to the irrevocable trust is included in the CEBRT, which is included in the CalPERS CAFR.

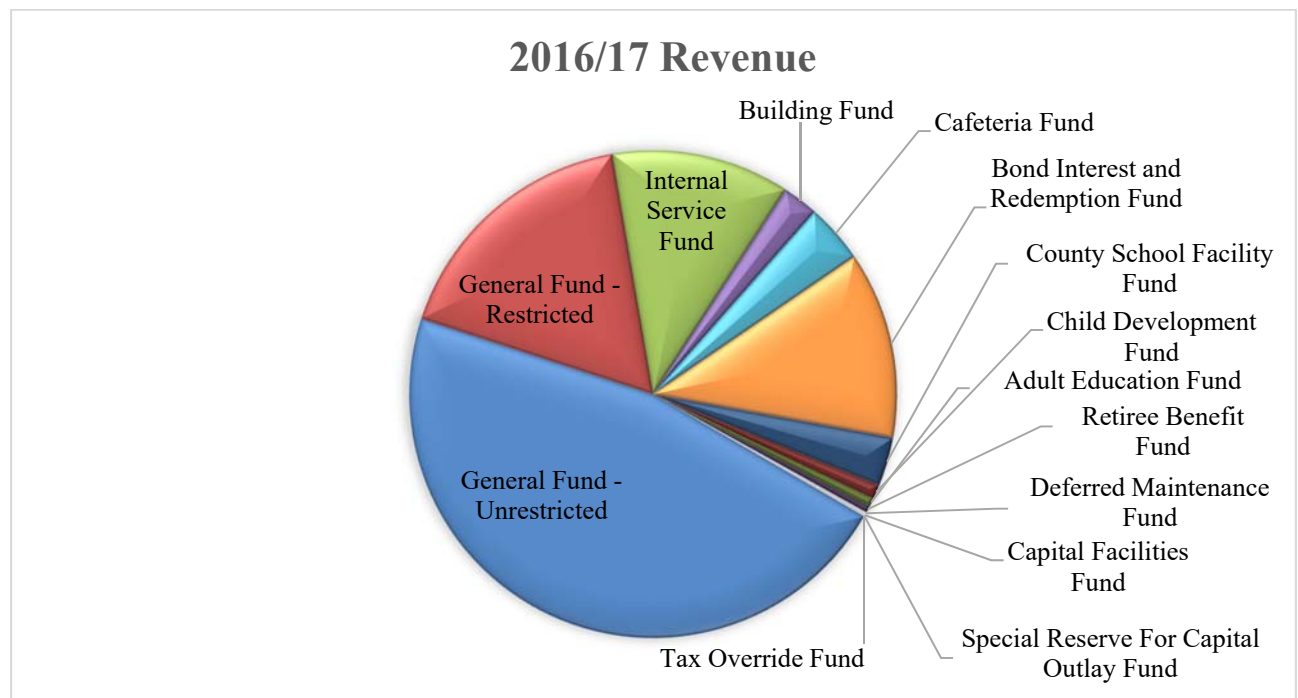


## Management Discussion and Analysis June 30, 2017

Total revenue for 2016/17 was \$1.37 billion, an increase from 2015/16 of \$144 million as listed below (in millions):

Revenue	2016/17 Unaudited Actuals	2015/16 Unaudited Actuals	Difference	% Change
General Fund - Unrestricted	\$ 639.8	\$ 617.3	\$ 22.5	3.6%
General Fund - Restricted	237.0	239.6	(2.6)	(1.1%)
Internal Service Fund	162.6	157.4	5.2	3.3%
Building Fund	32.3	57.2	(24.9)	(43.6%)
Cafeteria Fund	53.9	49.6	4.3	8.6%
Bond Interest and Redemption Fund	170.0	40.4	129.6	320.7%
County School Facility Fund	44.2	35.6	8.6	24.2%
Child Development Fund	13.2	12.9	0.3	2.3%
Adult Education Fund	7.9	7.9	0.0	(0.2%)
Retiree Benefit Fund <sup>(A)</sup>	5.8	4.4	1.4	33.3%
Deferred Maintenance Fund	2.5	3.1	(0.6)	(19.2%)
Capital Facilities Fund	1.0	1.0	0.0	4.3%
Special Reserve For Capital Outlay Fund	0.4	0.4	0.0	13.6%
Tax Override Fund	0.0	0.0	0.0	0.0%
Total	\$ 1,370.6	\$ 1,226.8	\$ 143.8	11.7%

<sup>(A)</sup> The Retiree Benefit Fund is not included in the District's financial statements. The funds in the CEBRT are held in trust and will be administered by the CalPERS as an agent multiple-employer plan. The District's contributions to the irrevocable trust is included in the CEBRT, which is included in the CalPERS CAFR.



## Management Discussion and Analysis

### June 30, 2017

#### Capital Assets and Long Term Liabilities

<b>Governmental Activities,</b>				
<b>Capital Assets</b>	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 64,805,162	\$ 61,136,569	\$ 3,668,593	6.00%
Work-in-process	81,813,842	57,358,063	24,455,779	42.64%
Land improvements	86,604,940	83,497,246	3,107,694	3.72%
Buildings	905,313,865	893,247,992	12,065,873	1.35%
Equipment	30,848,892	29,405,873	1,443,019	4.91%
Capital Assets, cost	1,169,386,701	1,124,645,743	44,740,958	3.98%
Accumulated Depreciation	(384,320,063)	(356,063,231)	(28,256,832)	7.94%
Governmental Activities				
Capital Assets, net	\$ 785,066,638	\$ 768,582,512	\$ 16,484,126	2.14%

The District's investment in capital assets for its governmental activities as of June 30, 2017 was \$785 million (net of accumulated depreciation).

Capital assets include land, land improvements, buildings, equipment, and work-in-progress. Capital assets continued to grow in the governmental activities as District-wide construction continued as a result of utilization of Measure "Q" funds.

#### Summary of Long Term Liabilities

	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Governmental Activities</b>				
General Obligation Bonds	\$ 610,112,608	\$ 482,376,915	\$ 127,735,693	26.48%
Accreted Interest	40,074,237	30,474,668	9,599,569	31.50%
PG&E Energy Loans	330,324	447,408	(117,084)	(26.17%)
Unamortized Premium	16,139,339	5,273,557	10,865,782	206.04%
Other Postemployment Benefits	383,534,858	350,625,879	32,908,979	9.39%
Compensated Absences	2,995,286	3,289,535	(294,249)	(8.95%)
Net Pension Liability	730,543,000	602,346,000	128,197,000	21.28%
Governmental Long-Term Liabilities	\$ 1,783,729,652	\$ 1,474,833,962	\$ 308,895,690	20.94%

At June 30, 2017, the District had a total outstanding bonded debt of \$610 million backed by the full faith and credit of the District. Additionally, GASB 68 requires the District to recognize the Net Pension Liability. The amount outstanding at June 30, 2017 was \$731 million.

Total long-term debt for the District increased by \$309 million. The change in the long term debt was due mainly to the issuance of General Obligation Bonds of \$30 million, two General Obligation Bonds series Crossover Refunding of \$120 million, a net increase in the pension liability of \$128 million, a net increase in the OPEB liability of \$29 million, an increase in accreted interest of \$9 million, and an increase in unamortized premiums of \$11 million offset by payments to the General Obligation Bonds of \$22 million.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was 2.46%.

#### Economic Factors and Budgets and Rates for 2017/18

## Management Discussion and Analysis

### June 30, 2017

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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 2017/18 Proposed Budget includes recommendations that continue to balance the Board of Education's investment in extensive student programs, competitive employee compensation, and prudent fiscal responsibility.

On June 14, 2017, the Board approved an Adopted Budget for fiscal year 2017/18. The Adopted Budget included an 8.31% unrestricted reserve.

- The major State assumptions are:
  - The Local Control Funding Formula (LCFF) "gap" funding level estimated at 43.97% which equates to approximately \$22.3 million
  - Statutory cost-of-living adjustment of 1.56%
  - The cash flow projected a positive balance of \$126 million on June 30, 2018
  - Educational Protection Account continues as required by Proposition 30 (November 2012) which represents 12% of the Local Control Funding Formula of \$84 million
  - The District is projected to be funded on the current year ADA
  - LCFF Supplemental and Concentration funding of \$166 million
- The local assumptions are as follows:
  - The Elementary School Aligned Instructional System: Designated sites, instructional aids including kindergarten aids, police chaplains and campus assistant to increase safety, custodial and clerical supports, and administrative support
  - The Middle School Aligned Instructional System: Innovative professional learning teams, transition, and campus culture support; safety investments include a school neighborhood resource officer, probation officer, and campus assistants; custodial support; clerical support and administrative support
  - The High School Aligned Instructional System: Professional learning, librarian, student engagement, campus culture director, and athletic director support; safety investments include school neighborhood resource officers, probation officers, and campus assistants; custodial support including PE custodians, pool custodians, and auditorium custodians; clerical supports including a library technician; and administrative support
  - School site allocations of \$28 million in addition to \$21 million for instructional classroom support, after-school activities/athletics, and library supplies, and equipment and coaching contracts
  - Funding for Goal 2 activities was expanded to include an increase in the number of coaching stipends to expand opportunities for students and the creation of a High School Uniform Sports program which established a partnership with Special Olympics to promote social inclusion by joining students receiving special education services with general education peers in soccer, basketball, and track
  - Expansion of the District's Art Collaborative project which incorporates approximately 40 teachers engaged in professional learning, supplies for student projects, and gallery space to display students' work at Gallery One at ArtHop events
  - Special Education was increased with additional staffing for Adult Transition programs, speech services, and additional funds to support special education teachers to attend the induction program with the Fresno County Superintendent of Schools
  - Social Emotional support increases for additional psychologists to coordinate early intervention efforts for general education students, support culture/climate efforts, and reduce student psychologist ratio to align with state average

## Management Discussion and Analysis

June 30, 2017

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- Health Services expansion of staff to support School Based Health Centers at three schools, an additional nursing position at Patiño School of Entrepreneurship, the Adult Transition Program due to increased enrollment, and two additional Credentialed School Nurses and 19 Licensed Vocational Nurses to provide a licensed healthcare professional every day at all sites
- Elimination of two open communication positions
- Keeping student technology current by purchasing and/or refreshing existing computers to ensure full class sets of computers in core subjects, including Math, ELA and elementary school classrooms, as well as classified staff to provide the necessary support and to perform computer imaging, deployment, refresh tracking, and repairs
- Dual immersion expansion at Wawona and Rowell schools for two kindergarten and two pre-school classrooms at each site
- SAT, AP, and IB examination fees will continue to be provided at no cost for all Fresno Unified students and includes access to the reading comprehension test for middle school students
- Transportation support for an additional relief driver, and one bus mechanic, as well as the increased cost for the First Student transportation contract
- Maintenance and Operations support for the increased cost of utilities, two additional custodians, and an upgrade from a custodian position to auditorium manager
- Career Technical Education support to increase the CTE pathways at high schools and provide equipment for new pathways
- Academic counseling supports for intermediate music programs
- Music investments in TK through third grade classrooms to provide standards based music instruction to better prepare students for high schools where classroom music would benefit students in language acquisition and prepare students for intermediate music programs
- Hmong dual immersion support for a teacher on special assignment to develop Hmong curriculum and teach after school programs to assigned schools
- Student voice support to work with community partners in cultivating student voice in schools with a focus on underrepresented youth
- May Revision Budget Additions
  - Elementary library investments for all library technicians from six to eight hours to improve access to the libraries
  - Academic achievement support through extended learning opportunities with teacher tutor supports for high need students at all grade levels to increase academic achievement
  - Alternative education programs restructuring to include oversight, increase social emotional support, increase classroom teachers, professional development, student online education opportunities, and increase supplies
  - African American program expansion through a new office focusing on the acceleration of academic and social-emotional achievement for African American students
  - Expansion of academic counseling and social emotional support to foster and homeless students
  - College Preparation Support implementation investments in service providers to support study skills and academic interventions at sites targeting high need students
  - Leadership and social emotional supports for schools with high needs enrollment

# Management Discussion and Analysis

## June 30, 2017

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- Utilization of one-time resources
  - Education Programs: Common core professional development, extended day programs, textbooks for Social Studies and English Learners, and Spanish instructional materials for new dual immersion programs
  - Plant Maintenance and Operations: New high school pools at McLane and Roosevelt High Schools, Design Science facility project, high school restrooms, early learning restrooms, water conservation, transportation grant project support, 24 low emission buses, one additional bus for Goal 2 activities, Phase I of energy efficiency irrigation project, competitive mats for cheer at Bullard, Edison, Fresno, Hoover, McLane, Roosevelt, and Sunnyside High Schools, facility and equipment needed for Board Area Trustee Liaisons (new positions), facilities for new dual immersion programs at Wawona, and other facilities projects
- Multi-Year Items
  - Future textbook adoptions for curricular areas such as Social Studies and Science including AP and English Learners
  - STRS and PERS increased employer rates:

<b>Year</b>	<b>STRS Employer Rate</b>	<b>PERS Employer Rate</b>	<b>Annual Increase to District Contribution</b>	<b>Annual District Contribution</b>
2017/18	14.43%	15.531%	\$7.7 million	\$62.7 million
2018/19	16.28%	18.1%	\$8.6 million	\$71.3 million
2019/20	18.13%	20.8%	\$8.7 million	\$80.1 million

- An Unrestricted General Fund contribution of \$1.5 million and a \$2 million contribution from the Health Fund to the OPEB irrevocable trust for all years
- Increases in minimum wage each year up to \$15 per hour in 2023 equating to a \$118,000 in 2017/2018, \$295,000 in 2018/19, and \$3.7 million in 2019/2020
- Benefit Rates
  - In accordance with the current employee bargaining agreements, and including the district's current bargaining offer to increase health and welfare benefits, the district's contribution to the health fund for 2017/18 increases by an additional \$1,144 over 2016/17 to \$17,789. The increase includes \$800 per active participant for the portion related to bargaining and \$344 for the portion in accordance with the current employee bargaining agreements, equating to \$8.4 million in additional resources toward the Health Fund. In addition, for each active eligible employee, the district's contribution to the health fund is estimated to increase by \$233 in 2018/19, and an additional \$351 in 2019/20, equating to \$1.6 million and \$2.5 million, respectively.
  - Workers' Compensation maintains the Liability Insurance rates to fund the reserve level at 78% for 2017/18
  - The Liability insurance rate will decrease from 1.12% to .93% due to a decrease in the estimated annual liability expenditure growth in 2017/18 as compared to an abnormally high liability exposure in 2016/17 causing the funding rate to rise in 2016/17



# Management Discussion and Analysis

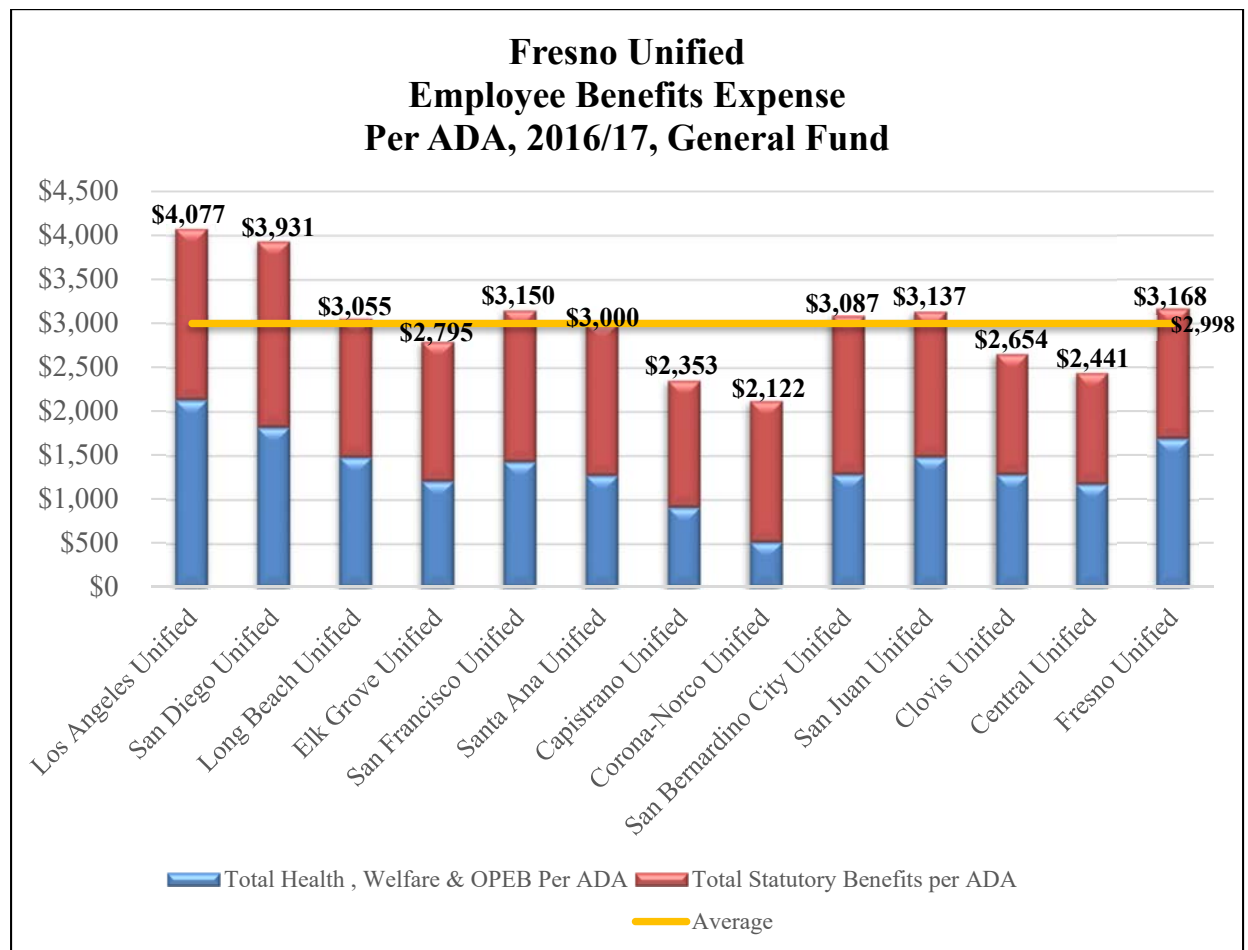
## June 30, 2017

### 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 who retire at least 57½ years of age. 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 who retire at least 60 years of age. GASB 43 and GASB 45 are governmental accounting standards that direct how state and local governments will account for these benefits.

The District’s most recent actuarial study calculated the total gross liability for post-employment benefits to be \$965 million in May 2016. The previous actuarial completed in March 2014 totaled \$820 million. The District established an irrevocable trust in 2013/14. The Trust Fund increased by \$5.8 million and at the end of 2016/17 had an ending fund balance of \$36.4 million. In 2017/18, the District plans to transfer \$3.5 million to the irrevocable trust.

Fresno Unified ranks third when comparing spending per ADA for total employee benefits, at \$3,168, an increase of \$95 per ADA in 2015/16, which was \$3,073 per ADA. If the district were at the state average of \$2,998 per ADA, it would generate a savings of \$11.3 million annually.



## **Management Discussion and Analysis**

### **June 30, 2017**

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#### *Pension Liability*

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

#### *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, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 420,099,939
Investments	126,190,715
Receivables	27,773,560
Prepaid expenses	1,388,146
Stores inventory	2,154,635
Non-depreciable capital assets (Note 4)	146,619,004
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>638,447,634</u>
Total assets	<u>1,362,673,633</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (Notes 8 and 9)	157,903,874
Deferred loss from refunding of debt	<u>3,807,888</u>
Total deferred outflows	<u>161,711,762</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	86,840,609
Unearned revenue	8,612,124
Self-insurance claims liability (Note 5)	56,266,375
Long-term liabilities (Note 6):	
Due within one year	34,641,441
Due after one year	<u>1,749,088,211</u>
Total liabilities	<u>1,935,448,760</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>29,957,000</u>
<b>NET POSITION</b>	
Net investment in capital assets	186,530,977
Restricted:	
Legally restricted programs	25,529,241
Capital projects	24,106,205
Debt service	159,659,824
Self insurance	11,814,954
Unrestricted	<u>(848,661,566)</u>
Total net position	<u>\$ (441,020,365)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 524,192,098	\$ 809,624	\$ 111,718,428	\$ -	\$ (411,664,046)
Instruction-related services:					
Supervision of instruction	47,145,550	255,884	25,826,653	-	(21,063,013)
Instructional library, media and technology	11,825,112	-	335,939	-	(11,489,173)
School site administration	58,215,968	125,674	5,805,150	-	(52,285,144)
Pupil services:					
Home-to-school transportation	18,485,887	-	2,007,849	-	(16,478,038)
Food services	51,745,875	177,992	53,368,811	-	1,800,928
All other pupil services	56,511,055	67,558	21,810,203	-	(34,633,294)
General administration:					
Data processing	8,135,150	-	5,368	-	(8,129,782)
All other general administration	29,305,808	35,758	6,794,627	-	(22,475,423)
Plant services	100,649,072	157,877	2,809,692	-	(97,681,503)
Ancillary services	17,463,903	-	4,105,051	-	(13,358,852)
Community services	3,739,165	2,201	955,067	-	(2,781,897)
Enterprise activities	2,553,042	644	223,090	-	(2,329,308)
Interest on long-term liabilities	27,872,136	-	-	-	(27,872,136)
Other outgo	7,532,400	-	517,272	-	(7,015,128)
Depreciation (unallocated) (Note 4)	<u>28,302,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,302,550)</u>
Total governmental and business-type activities	<u>\$ 993,674,771</u>	<u>\$ 1,633,212</u>	<u>\$ 236,283,200</u>	<u>\$ -</u>	<u>(755,758,359)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes				64,124,293	
Taxes levied for debt service				42,020,078	
Taxes levied for other specific purposes				362,393	
Federal and state aid not restricted to specific purposes				643,244,542	
Interest and investment earnings				1,199,314	
Interagency revenues				94,192	
Miscellaneous				<u>9,458,903</u>	
Total general revenues				<u>760,503,715</u>	
Change in net position				4,745,356	
Net position, July 1, 2016				<u>(445,765,721)</u>	
Net position, June 30, 2017				<u>\$ (441,020,365)</u>	

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 208,812,898	\$ 67,680,890	\$ 33,354,807	\$ 34,901,109	\$ 344,749,704
Cash in revolving fund	88,929	-	-	-	88,929
Cash on hand and in banks	406,553	-	-	6,501,073	6,907,626
Collections awaiting deposit	-	-	-	12,601	12,601
Investments	-	-	126,190,715	-	126,190,715
Receivables	17,511,221	294,762	114,302	9,645,004	27,565,289
Prepaid expenditures	368,475	-	-	1,630	370,105
Due from other funds	3,096,697	671,530	-	6,504,060	10,272,287
Stores inventory	1,418,428	-	-	736,207	2,154,635
	<u>231,703,201</u>	<u>68,647,182</u>	<u>159,659,824</u>	<u>58,301,684</u>	<u>518,311,891</u>
Total assets	<u>\$ 231,703,201</u>	<u>\$ 68,647,182</u>	<u>\$ 159,659,824</u>	<u>\$ 58,301,684</u>	<u>\$ 518,311,891</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 67,442,891	\$ -	\$ -	\$ 6,717,677	\$ 74,160,568
Unearned revenue	8,391,524	-	-	220,600	8,612,124
Due to other funds	53,949	4,334,223	-	9,656,536	14,044,708
	<u>75,888,364</u>	<u>4,334,223</u>	<u>-</u>	<u>16,594,813</u>	<u>96,817,400</u>
Total liabilities	<u>75,888,364</u>	<u>4,334,223</u>	<u>-</u>	<u>16,594,813</u>	<u>96,817,400</u>
Fund balances:					
Nonspendable	1,875,832	-	-	737,837	2,613,669
Restricted	7,928,575	64,312,959	159,659,824	40,969,034	272,870,392
Assigned	64,188,465	-	-	-	64,188,465
Unassigned	81,821,965	-	-	-	81,821,965
	<u>155,814,837</u>	<u>64,312,959</u>	<u>159,659,824</u>	<u>41,706,871</u>	<u>421,494,491</u>
Total fund balances	<u>155,814,837</u>	<u>64,312,959</u>	<u>159,659,824</u>	<u>41,706,871</u>	<u>421,494,491</u>
Total liabilities and fund balances	<u>\$ 231,703,201</u>	<u>\$ 68,647,182</u>	<u>\$ 159,659,824</u>	<u>\$ 58,301,684</u>	<u>\$ 518,311,891</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, 2017

Total fund balances - Governmental Funds		\$ 421,494,491
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,169,386,701 and the accumulated depreciation is \$384,320,063 (Note 4).		
		785,066,638
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, 2017 consisted of (Note 6):		
General Obligation Bonds	\$ (610,112,608)	
Unamortized premiums	(16,139,339)	
Accreted interest	(40,074,237)	
PG&E energy savings loans	(330,324)	
Other postemployment benefits (Note 10)	(383,534,858)	
Net pension liability (Notes 8 and 9)	(730,543,000)	
Compensated absences	<u>(2,995,286)</u>	
		(1,783,729,652)
Internal service funds are included in the government-wide financial statements.		
		11,814,954
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding of the debt.		
		3,807,888
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).		
Deferred outflows of resources relating to pensions	157,903,874	
Deferred inflows of resources relating to pensions	<u>(29,957,000)</u>	
		127,946,874
Unmatured interest on long-term liabilities is recognized in the period incurred.		
		<u>(7,421,558)</u>
Total net position - governmental activities		<u>\$ (441,020,365)</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, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 616,402,822	\$ -	-	\$ -	\$ 616,402,822
Local sources	<u>61,358,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,358,140</u>
Total LCFF	<u>677,760,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>677,760,962</u>
Federal sources	74,761,024	-	-	51,153,178	125,914,202
Other state sources	107,179,798	-	450,653	21,473,039	129,103,490
Other local sources	<u>15,495,977</u>	<u>1,285,821</u>	<u>39,063,625</u>	<u>3,670,053</u>	<u>59,515,476</u>
Total revenues	<u>875,197,761</u>	<u>1,285,821</u>	<u>39,514,278</u>	<u>76,296,270</u>	<u>992,294,130</u>
Expenditures:					
Current:					
Certificated salaries	357,105,787	-	-	7,339,165	364,444,952
Classified salaries	113,871,995	-	-	17,735,706	131,607,701
Employee benefits	209,941,329	-	-	14,344,812	224,286,141
Books and supplies	44,244,868	-	-	24,085,022	68,329,890
Contract services and operating expenditures	83,805,622	1,013,290	-	10,952,689	95,771,601
Other outgo	4,519,116	-	-	-	4,519,116
Capital outlay	2,965,645	-	-	34,006,080	36,971,725
Debt service:					
Principal retirement	117,084	-	22,345,295	-	22,462,379
Interest	<u>-</u>	<u>-</u>	<u>18,252,864</u>	<u>-</u>	<u>18,252,864</u>
Total expenditures	<u>816,571,446</u>	<u>1,013,290</u>	<u>40,598,159</u>	<u>108,463,474</u>	<u>966,646,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,626,315</u>	<u>272,531</u>	<u>(1,083,881)</u>	<u>(32,167,204)</u>	<u>25,647,761</u>
Other financing sources (uses):					
Transfers in	3,816,892	-	-	46,800,084	50,616,976
Transfers out	(2,539,730)	(45,698,983)	(189,842)	(2,188,421)	(50,616,976)
Proceeds from issuance general obligation bonds	-	30,010,000	120,070,988	-	150,080,988
Debt issuance premium	<u>-</u>	<u>989,290</u>	<u>10,391,659</u>	<u>-</u>	<u>11,380,949</u>
Total other financing sources (uses)	<u>1,277,162</u>	<u>(14,699,693)</u>	<u>130,272,805</u>	<u>44,611,663</u>	<u>161,461,937</u>
Net change in fund balances	59,903,477	(14,427,162)	129,188,924	12,444,459	187,109,698
Fund balances, July 1, 2016	<u>95,911,360</u>	<u>78,740,121</u>	<u>30,470,900</u>	<u>29,262,412</u>	<u>234,384,793</u>
Fund balances, June 30, 2017	<u>\$ 155,814,837</u>	<u>\$ 64,312,959</u>	<u>\$ 159,659,824</u>	<u>\$ 41,706,871</u>	<u>\$ 421,494,491</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, 2017

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Net change in fund balances - Total Governmental Funds \$ 187,109,698

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). \$ 44,786,676

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (28,302,550)

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). (150,080,988)

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). (10,865,782)

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). 22,462,379

Accreted interest is an expense that is not recorded in the governmental funds (Note 6). (9,599,569)

Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due. (105,559)

Activities of the internal service fund are reported with governmental activities. 2,108,749

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt. (429,310)

In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 10). (32,908,979)

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

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In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	\$ (19,723,658)
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>294,249</u> <u>\$ (182,364,342)</u>
Change in net position of governmental activities	<u>\$ 4,745,356</u>

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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
June 30, 2017

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**ASSETS**

Current assets:

Cash and investments (Note 2):	
Cash in County Treasury	\$ 66,341,079
Cash on hand and in banks	2,000,000
Receivables	208,271
Due from other funds (Note 3)	3,792,573
Prepaid expenditures	<u>1,018,041</u>
Total current assets	<u>73,359,964</u>

**LIABILITIES**

Current liabilities:

Accounts payable	5,258,483
Due to other funds (Note 3)	20,152
Self insurance claims liability (Note 5)	<u>56,266,375</u>
Total current liabilities	<u>61,545,010</u>

**NET POSITION**

Net position - restricted for self-insurance	<u><u>\$ 11,814,954</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN  
NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
For the Year Ended June 30, 2017

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Operating revenues:	
Self-insurance premiums	<u>\$ 161,798,469</u>
Operating expenses:	
Classified salaries	1,291,481
Employee benefits	614,133
Books and supplies	46,007
Contract services	<u>156,500,435</u>
Total operating expenses	<u>158,452,056</u>
Operating income	<u>3,346,413</u>
Non-operating revenue (expense):	
Interest income	762,336
OPEB expense	<u>(2,000,000)</u>
Total non-operating (expense) revenue	<u>(1,237,664)</u>
Change in net position	2,108,749
Net position, July 1, 2016	<u>9,706,205</u>
Net position, June 30, 2017	<u><u>\$ 11,814,954</u></u>

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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, 2017

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Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 167,602,505
Cash received from user charges	7,472,774
Cash paid for employee benefits	(160,988,857)
Cash paid for salaries	(1,905,614)
Cash paid for other expenses	<u>(46,007)</u>
Net cash provided by operating activities	<u>12,134,801</u>
Cash flows from noncapital financing activities:	
OPEB expense	<u>(2,000,000)</u>
Cash flows from investing activities:	
Interest income received	<u>727,601</u>
Increase in cash and investments	10,862,402
Cash and investments, July 1, 2016	<u>57,478,677</u>
Cash and investments, June 30, 2017	<u>\$ 68,341,079</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 3,346,413</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease (increase) in:	
Receivables	
Amount due from other funds	13,276,810
Prepaid expenditures	845,069
Increase in:	
Accounts payable	51,331,592
Amount due to other funds	(281,881)
Unpaid claims and claim adjustment expenses	<u>(56,383,202)</u>
Total adjustments	<u>8,788,388</u>
Net cash provided by operating activities	<u>\$ 12,134,801</u>

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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
June 30, 2017

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	Agency Fund Student Body
<b>ASSETS</b>	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 416,853
Cash on hand and in bank	1,764,410
Stores inventory	<u>43,681</u>
Total assets	<u><u>\$ 2,224,944</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u><u>\$ 2,224,944</u></u>

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See accompanying notes to financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities.

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.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

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

3 - Bond Interest and Redemption Fund:

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

B - Other Funds

1 - Special Revenue Funds:

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

2 - Capital Project Funds:

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

3 - Debt Service Fund:

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

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(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

4 - Self Insurance Fund:

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

5 - Student Body Fund:

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

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

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 acquisition value for the contributed asset. 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.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$102,429,146</u>	<u>\$ 55,474,728</u>	<u>\$157,903,874</u>
Deferred inflows of resources	<u>\$ 24,506,000</u>	<u>\$ 5,451,000</u>	<u>\$ 29,957,000</u>
Net pension liability	<u>\$549,121,000</u>	<u>\$181,422,000</u>	<u>\$730,543,000</u>
Pension expense	<u>\$ 81,515,385</u>	<u>\$ 25,136,815</u>	<u>\$106,652,200</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$2,995,286 is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self insurance represents the portion of net position restricted for the District's property and liability claims, workers' compensation claims and health benefits to current and retired employees. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C - Committed Fund Balance:**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2017, 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, 2017, the District had assigned a portion of the fund balance for the General Fund.

**E - Unassigned Fund Balance:**

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. On July 30, 2008, the Board approved Board Policy 3100 establishing levels for the general fund reserve for economic uncertainties of five percent to ten percent of total expenditures.

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.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2 - CASH AND INVESTMENTS**

District cash and investments at June 30, 2017 consisted of the following:

	<u>Governmental Activities</u>		<u>Fiduciary</u> <u>Activities</u>	<u>Agency</u> <u>Fund</u>
	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Fund</u>	<u>Total</u>	
Pooled Funds:				
Cash in County Treasury	\$ 344,749,704	\$ 66,341,079	\$ 411,090,783	\$ 416,853
Deposits:				
Cash on hand and in banks	6,907,626	2,000,000	8,907,626	1,764,410
Cash in revolving fund	88,929	-	88,929	-
Cash awaiting deposits	<u>12,601</u>	<u>-</u>	<u>12,601</u>	<u>-</u>
Total deposits	<u>7,009,156</u>	<u>2,000,000</u>	<u>9,009,156</u>	<u>1,764,410</u>
Investments	<u>126,190,715</u>	<u>-</u>	<u>126,190,715</u>	<u>-</u>
Total cash and investments	<u>\$ 477,949,575</u>	<u>\$ 68,341,079</u>	<u>\$ 546,290,654</u>	<u>\$ 2,181,263</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Fresno County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, 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, 2017, the carrying amount of the District's accounts was \$10,719,546 and the bank balances were \$11,076,841. The total uninsured bank balance at June 30, 2017 was \$9,791,025.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2 - CASH AND INVESTMENTS** (Continued)

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2017, the carrying amount of the District's accounts was \$41,419 and the bank balance was \$41,419, all of which was insured.

Investments: In October 2016, the District issued crossover refunding bonds and the bond proceeds were deposited into an irrevocable escrow fund to be funded, invested and held. Amounts held in the escrow fund will be applied to (a) pay interest due on the 2016 Refunding Bonds to and including the crossover date, and (b) on the crossover date, pay the redemption price of the refunded prior bonds. The amounts Investments at June 30, 2017 are reported at fair value and consisted of the following:

	<u>Rating</u>	<u>2017</u>
Investments:		
U.S. Treasury Notes	Aaa	\$ 125,728,810
Foreign Issues	N/A	<u>461,905</u>
Total investments		<u>\$ 126,190,715</u>

Investment security ratings reported as of June 30, 2017 are defined by Moody's.

The following presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2017, and indicates the fair value hierarchy of the valuation techniques utilized by the District to determine such fair value based on the hierarchy:

*Level 1* – Quoted market prices or identical instruments traded in active exchange markets.

*Level 2* – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

*Level 3* – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The District is required or permitted to record the following assets at fair value on a recurring basis:

<u>Description</u>	2017			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes	\$ 125,728,810	\$ -	\$ 125,728,810	\$ -
Foreign Issues	<u>461,905</u>	<u>-</u>	<u>461,905</u>	<u>-</u>
	<u>\$ 126,190,715</u>	<u>\$ -</u>	<u>\$ 126,190,715</u>	<u>\$ -</u>

The District's investments are generally classified in Level 2 of the fair value hierarchy because they are valued using broker or dealer quotations, or alternative pricing sources with reasonable level of price transparency. The types of investments valued based on observable inputs includes U.S. Treasury Notes and Foreign Issues are classified within level 2 of the fair value hierarchy.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The District had no non-recurring assets and no liabilities at June 30, 2017 which were required to be disclosed using the fair value hierarchy

Investment Interest Rate Risk: The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturities of investments held at June 30, 2017 consist of the following:

	Maturity			
<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year through Five Years</u>	<u>Six Years through Ten Years</u>	
Investment securities:				
U.S. Treasury Notes	\$ 125,728,810	\$ 955,723	\$ 68,871,122	\$ 55,901,965
Foreign Issues	<u>461,905</u>	<u>-</u>	<u>-</u>	<u>461,905</u>
Total	<u>\$ 126,190,715</u>	<u>\$ 955,723</u>	<u>\$ 68,871,122</u>	<u>\$ 56,363,870</u>

Investment Credit Risk: The District's investment policy limits investment choices to obligations of the United States Treasury, sweep accounts and trustee banks and guaranteed investment contracts. At June 30, 2017, all investments represented U.S. Treasury Notes and Foreign Issue Notes which were issued, registered and held by the Escrow Agent.

Concentration of Investment Credit Risk: At June 30, 2017, the District had \$125,728,810 in investments that represent more than five percent of the Fund's net investments:

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

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

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

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 3 - INTERFUND TRANSACTIONS**

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 3,096,697	\$ 53,949
Building	671,530	4,334,223
Non-Major Funds:		
Adult Education	308,222	1,487,602
Child Development	1,756,532	1,978,572
Cafeteria	-	6,158,095
Deferred Maintenance	188,070	-
Capital Facilities	-	16,882
County School Facilities	3,913,139	-
Special Reserve for Capital Outlay Projects	338,097	7,044
Tax Override	-	8,341
Proprietary Fund:		
Self-Insurance	<u>3,792,573</u>	<u>20,152</u>
Total	<u>\$ 14,064,860</u>	<u>\$ 14,064,860</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 3 - INTERFUND TRANSACTIONS** (Continued)

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

Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 44,070,512
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation as received in the General Fund.	2,539,259
Transfer from the Building Fund to the General Fund to contribute to Restricted Routine Maintenance.	1,628,471
Transfer from the Cafeteria Fund to the General Fund for indirect cost.	1,570,434
Transfer from Child Development Fund to the General Fund for indirect costs.	417,252
Transfer from the Bond Interest & Redemption Fund to the Special Reserve for Capital Outlay Projects Fund for monies held for bonds that are no longer outstanding.	189,842
Transfer from Adult Education Fund to the General Fund for indirect costs.	171,272
Transfer from Capital Facilities Fund to the General Fund for indirect costs.	29,463
Transfer from the General Fund to the Tax Override Fund for tax adjustments.	<u>471</u>
	<u>\$ 50,616,976</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, <u>2016</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2017</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 61,136,569	\$ 3,668,593	\$ -	\$ 64,805,162
Work-in-process	57,358,063	43,343,657	18,887,878	81,813,842
Depreciable:				
Land improvements	83,497,246	3,107,694	-	86,604,940
Buildings	893,247,992	12,111,591	45,718	905,313,865
Equipment	<u>29,405,873</u>	<u>1,443,019</u>	<u>-</u>	<u>30,848,892</u>
Totals, at cost	<u>1,124,645,743</u>	<u>63,674,554</u>	<u>18,933,596</u>	<u>1,169,386,701</u>
Less accumulated depreciation:				
Land improvements	(37,170,352)	(3,797,350)	-	(40,967,702)
Buildings	(299,123,414)	(22,426,580)	(45,718)	(321,504,276)
Equipment	<u>(19,769,465)</u>	<u>(2,078,620)</u>	<u>-</u>	<u>(21,848,085)</u>
Total accumulated depreciation	<u>(356,063,231)</u>	<u>(28,302,550)</u>	<u>(45,718)</u>	<u>(384,320,063)</u>
Governmental activities capital assets, net	<u>\$ 768,582,512</u>	<u>\$ 35,372,004</u>	<u>\$ 18,887,878</u>	<u>\$ 785,066,638</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2017 as follows:

Governmental activities:	
Unallocated	<u>\$ 28,302,550</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 5 - SELF-INSURANCE**

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2017, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$350,000 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 \$1,323,166 is based on an actuarial projected estimate at June 30, 2017, discounted at 0.5%. The workers' compensation claims liability of \$36,150,333 is based on an actuarial projected estimate at June 30, 2017, discounted at 1.5%. The health claims liability of \$18,792,876 is based on an actuarial projected estimate at June 30, 2017, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the claims liability for the years ended June 30, 2017 and 2016 were as follows:

	Property and Liability	Workers' Compen- sation	Health	Total
Claims liability at June 30, 2015	\$ 869,754	\$ 36,443,705	\$ 16,885,055	\$ 54,198,514
Incurred claims	3,406,821	8,735,206	136,056,794	148,198,821
Paid claims	<u>(3,363,333)</u>	<u>(7,514,104)</u>	<u>(135,136,696)</u>	<u>(146,014,133)</u>
Claims liability at June 30, 2016	<u>913,242</u>	<u>37,664,807</u>	<u>17,805,153</u>	<u>56,383,202</u>
Incurred claims	3,724,793	3,113,715	146,221,395	153,059,903
Paid claims	<u>(3,314,869)</u>	<u>(4,628,189)</u>	<u>(145,233,672)</u>	<u>(153,176,730)</u>
Claims liability at June 30, 2017	<u>\$ 1,323,166</u>	<u>\$ 36,150,333</u>	<u>\$ 18,792,876</u>	<u>\$ 56,266,375</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 6 - LONG-TERM LIABILITIES**

General Obligation Bonds

Issue	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	16,895,000	-	2,315,000	14,580,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	41,980,000	-	3,350,000	38,630,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	34,280,000	-	2,540,000	31,740,000
2001 Series F	5.48%	2009	2026	29,429,022	22,454,509	-	1,750,295	20,704,214
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	9,050,000	-	1,245,000	7,805,000
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	43,289,849	-	-	43,289,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	37,705,000	-	1,995,000	35,710,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	23,590,000	-	3,875,000	19,715,000
2010 Measure Q Series C	2% - 5.5%	2012	2047	54,997,540	45,105,385	-	-	45,105,385
2010 Measure Q Series D	3.56% - 5.11%	2014	2048	59,996,789	54,306,789	-	-	54,306,789
2015 GO Refunding Bonds	2.0% - 5.0%	2015	2031	14,555,000	14,290,000	-	595,000	13,695,000
2010 Series E Current Interest	2.0% - 5.0%	2015	2046	49,565,000	49,565,000	-	4,680,000	44,885,000
2010 Series E Capital Appreciation	2.0% - 5.0%	2015	2032	5,433,095	5,433,095	-	-	5,433,095
2016 GO Refunding Series A	3.13% - 3.6%	2016	2041	60,480,000	-	60,480,000	-	60,480,000
2010 Series F	2.0% - 4.0%	2016	2041	30,010,000	-	30,010,000	-	30,010,000
2016 GO Refunding Series B	4.0% - 5.0%	<u>2016</u>	<u>2046</u>	<u>59,590,988</u>	<u>-</u>	<u>59,590,988</u>	<u>-</u>	<u>59,590,988</u>
				<u>\$747,114,571</u>	<u>\$482,376,915</u>	<u>\$150,080,988</u>	<u>\$ 22,345,295</u>	<u>\$610,112,608</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,445,000	\$ 842,815	\$ 3,287,815
2019	2,590,000	697,380	3,287,380
2020	2,740,000	543,242	3,283,242
2021	2,910,000	380,255	3,290,255
2022	3,075,000	207,090	3,282,090
2023	<u>820,000</u>	<u>24,190</u>	<u>844,190</u>
	<u>\$ 14,580,000</u>	<u>\$ 2,694,972</u>	<u>\$ 17,274,972</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,545,000	\$ 2,308,800	\$ 5,853,800
2019	3,810,000	2,095,200	5,905,200
2020	4,060,000	1,866,300	5,926,300
2021	4,305,000	1,622,100	5,927,100
2022	4,580,000	1,363,200	5,943,200
2023-2027	<u>18,330,000</u>	<u>2,524,200</u>	<u>20,854,200</u>
	<u>\$ 38,630,000</u>	<u>\$ 11,779,800</u>	<u>\$ 50,409,800</u>

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,675,000	\$ 1,614,926	\$ 4,289,926
2019	2,815,000	1,480,926	4,295,926
2020	2,960,000	1,339,926	4,299,926
2021	3,120,000	1,191,676	4,311,676
2022	3,275,000	1,035,426	4,310,426
2023-2027	16,735,000	2,489,475	19,224,475
2028	<u>160,000</u>	<u>4,200</u>	<u>164,200</u>
	<u>\$ 31,740,000</u>	<u>\$ 9,156,555</u>	<u>\$ 40,896,555</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,844,675	\$ 1,084,442	\$ 2,929,117
2019	1,944,234	980,588	2,924,822
2020	2,049,242	871,127	2,920,369
2021	2,160,006	755,752	2,915,758
2022	2,276,840	634,138	2,910,978
2023-2026	<u>10,429,217</u>	<u>1,182,720</u>	<u>11,611,937</u>
	<u>\$ 20,704,214</u>	<u>\$ 5,508,767</u>	<u>\$ 26,212,981</u>

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a premium of \$789,371 which will be amortized over 20 years. The annual payments required to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,280,000	\$ 243,550	\$ 1,523,550
2019	1,310,000	202,825	1,512,825
2020	1,345,000	161,125	1,506,125
2021	1,385,000	120,175	1,505,175
2022	1,420,000	71,000	1,491,000
2023	<u>1,065,000</u>	<u>21,300</u>	<u>1,086,300</u>
	<u>\$ 7,805,000</u>	<u>\$ 819,975</u>	<u>\$ 8,624,975</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,154,455	\$ 1,154,455
2019	-	1,154,455	1,154,455
2020	-	1,154,455	1,154,455
2021	-	1,154,455	1,154,455
2022	-	1,154,455	1,154,455
2023-2027	15,013,050	4,416,294	19,429,344
2028-2030	<u>13,848,323</u>	<u>852,366</u>	<u>14,700,689</u>
	<u>\$ 28,861,373</u>	<u>\$ 11,040,935</u>	<u>\$ 39,902,308</u>

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 48,704	\$ 101,296	\$ 150,000
2023-2027	4,456,991	6,223,009	10,680,000
2028-2032	16,703,020	37,881,980	54,585,000
2033-2037	18,709,635	70,334,235	89,043,870
2038-2042	<u>15,652,565</u>	<u>90,346,756</u>	<u>105,999,321</u>
	<u>\$ 55,570,915</u>	<u>\$ 204,887,276</u>	<u>\$ 260,458,191</u>

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(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 210,000	\$ 816,450	\$ 1,026,450
2019	685,000	798,550	1,483,550
2020	1,190,000	761,050	1,951,050
2021	2,310,000	691,050	3,001,050
2022	3,585,000	573,150	4,158,150
2023-2027	<u>12,839,116</u>	<u>5,172,371</u>	<u>18,011,487</u>
	<u>\$ 20,819,116</u>	<u>\$ 8,812,621</u>	<u>\$ 29,631,737</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028-2031	\$ 5,962,074	\$ 12,672,926	\$ 18,635,000
2032-2036	8,331,696	28,435,178	36,766,874
2037-2041	6,926,096	36,860,072	43,786,168
2042	<u>1,250,867</u>	<u>8,469,133</u>	<u>9,720,000</u>
	<u>\$ 22,470,733</u>	<u>\$ 86,437,309</u>	<u>\$ 108,908,042</u>

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,095,000	\$ 1,403,494	\$ 3,498,494
2019	2,180,000	1,315,269	3,495,269
2020	2,285,000	1,217,531	3,502,531
2021	2,365,000	1,112,906	3,477,906
2022	1,690,000	1,021,669	2,711,669
2023-2027	14,425,000	3,632,616	18,057,616
2028-2031	<u>10,670,000</u>	<u>710,623</u>	<u>11,380,623</u>
	<u>\$ 35,710,000</u>	<u>\$ 10,414,108</u>	<u>\$ 46,124,108</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,995,000	\$ 514,090	\$ 4,509,090
2019	4,750,000	410,355	5,160,355
2020	4,890,000	276,775	5,166,775
2021	3,750,000	142,487	3,892,487
2022	<u>2,330,000</u>	<u>40,775</u>	<u>2,370,775</u>
	<u>\$ 19,715,000</u>	<u>\$ 1,384,482</u>	<u>\$ 21,099,482</u>

The annual payments required to amortize the 2010 Measure Q, Series C, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,707,200	\$ 1,707,200
2019	-	1,707,200	1,707,200
2020	-	1,707,200	1,707,200
2021	-	1,707,200	1,707,200
2022	-	1,707,200	1,707,200
2023-2027	-	8,536,000	8,536,000
2028-2032	1,596,752	11,639,248	13,236,000
2033-2037	3,800,876	19,255,124	23,056,000
2038-2042	3,399,393	23,896,607	27,296,000
2043-2047	<u>36,308,364</u>	<u>41,923,303</u>	<u>78,231,667</u>
	<u>\$ 45,105,385</u>	<u>\$ 113,786,282</u>	<u>\$ 158,891,667</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 2010 GO Bond Series D, outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,897,400	\$ 1,897,400
2019	-	1,897,400	1,897,400
2020	-	1,897,400	1,897,400
2021	-	1,897,400	1,897,400
2022	-	1,897,400	1,897,400
2023-2027	-	9,487,000	9,487,000
2028-2032	1,834,969	11,567,031	13,402,000
2033-2037	4,716,101	17,180,899	21,897,000
2038-2042	7,200,719	15,824,231	23,024,950
2043-2047	18,450,000	6,482,700	24,932,700
2048	<u>22,105,000</u>	<u>442,100</u>	<u>22,547,100</u>
	<u>\$ 54,306,789</u>	<u>\$ 70,470,961</u>	<u>\$ 124,777,750</u>

The annual payments required to amortize the 2015 Refunding General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 610,000	\$ 433,400	\$ 1,043,400
2019	635,000	414,725	1,049,725
2020	655,000	392,100	1,047,100
2021	660,000	365,800	1,025,800
2022	685,000	345,750	1,030,750
2023-2027	5,285,000	1,265,106	6,550,106
2028-2031	<u>5,165,000</u>	<u>406,106</u>	<u>5,571,106</u>
	<u>\$ 13,695,000</u>	<u>\$ 3,622,987</u>	<u>\$ 17,317,987</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 2010 Series E, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 500,000	\$ 1,846,944	\$ 2,346,944
2019	330,000	1,831,944	2,161,944
2020	1,065,000	1,825,344	2,890,344
2021	1,775,000	1,772,094	3,547,094
2022	1,380,000	1,683,344	3,063,344
2023-2027	-	8,071,719	8,071,719
2028-2032	-	8,071,719	8,071,719
2033-2037	6,360,000	7,654,838	14,014,838
2038-2042	12,630,000	6,060,188	18,690,188
2043-2046	<u>20,845,000</u>	<u>2,208,938</u>	<u>23,053,938</u>
	<u>\$ 44,885,000</u>	<u>\$ 41,027,072</u>	<u>\$ 85,912,072</u>

The annual payments required to amortize the 2010 Series E, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2027	\$ 2,070,526	\$ 844,474	\$ 2,915,000
2028-2032	<u>3,362,569</u>	<u>2,607,431</u>	<u>5,970,000</u>
	<u>\$ 5,433,095</u>	<u>\$ 3,451,905</u>	<u>\$ 8,885,000</u>

In October 2016, the District issued the 2016 Refunding General Obligation Bonds, Series A and Series B (Crossover Refunding) in the amount of \$60,480,000 and \$59,590,988, respectively. Proceeds from the Refunding Bonds will be applied for the purpose of advance refunding, on a crossover basis, certain maturities of the District's General Obligation Bonds, Election of 2010, Series B and General Obligation Bonds, Election of 2010, Series C.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 2016 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 2,475,850	\$ 2,475,850
2019	-	2,475,850	2,475,850
2020	-	2,475,850	2,475,850
2021	-	2,475,850	2,475,850
2022	-	2,475,850	2,475,850
2023-2027	-	12,379,250	12,379,250
2028-2032	5,665,000	12,105,625	17,770,625
2033-2037	21,175,000	9,015,900	30,190,900
2038-2041	<u>33,640,000</u>	<u>3,594,400</u>	<u>37,234,400</u>
	<u>\$ 60,480,000</u>	<u>\$ 49,474,425</u>	<u>\$ 109,954,425</u>

The annual payments required to amortize the 2016 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,649,600	\$ 1,649,600
2019	-	1,649,600	1,649,600
2020	-	1,649,600	1,649,600
2021	-	1,649,600	1,649,600
2022	-	1,649,600	1,649,600
2023-2027	-	8,248,000	8,248,000
2028-2032	975,143	8,802,857	9,778,000
2033-2037	3,586,816	11,256,184	14,843,000
2038-2042	4,813,857	14,249,143	19,063,000
2043-2046	<u>50,215,172</u>	<u>19,817,828</u>	<u>70,033,000</u>
	<u>\$ 59,590,988</u>	<u>\$ 70,622,012</u>	<u>\$ 130,213,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The annual payments required to amortize the 2010 Election of 2010, Series F, outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,120,000	\$ 881,250	\$ 5,001,250
2019	-	840,050	840,050
2020	-	840,050	840,050
2021	-	840,050	840,050
2022	-	840,050	840,050
2023-2027	-	4,200,250	4,200,250
2028-2032	3,295,000	4,088,500	7,383,500
2033-2037	9,425,000	2,800,275	12,225,275
2038-2042	<u>13,170,000</u>	<u>1,058,250</u>	<u>14,228,250</u>
	<u>\$ 30,010,000</u>	<u>\$ 16,388,725</u>	<u>\$ 46,398,725</u>

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

Year Ending <u>June 30,</u>	<u>Annual Payments</u>
2018	\$ 96,933
2019	90,216
2020	90,216
2021	51,804
2022	<u>1,155</u>
Total payments remaining	<u>\$ 330,324</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017 is shown below:

<u>Governmental Activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 482,376,915	\$ 150,080,988	\$ 22,345,295	\$ 610,112,608	\$ 23,319,675
Unamortized premiums	5,273,557	11,380,949	515,167	16,139,339	552,725
Accreted interest	30,474,668	9,599,569	-	40,074,237	10,672,108
PG&E energy savings loans	447,408	-	117,084	330,324	96,933
Other postemployment benefits (Note 10)	350,625,879	75,502,379	42,593,400	383,534,858	-
Net pension liability (Notes 8 and 9)	602,346,000	128,197,000	-	730,543,000	-
Compensated absences	<u>3,289,535</u>	<u>-</u>	<u>294,249</u>	<u>2,995,286</u>	<u>-</u>
Totals	<u>\$ 1,474,833,962</u>	<u>\$ 374,760,885</u>	<u>\$ 65,865,195</u>	<u>\$ 1,783,729,652</u>	<u>\$ 34,641,441</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

**NOTE 7 - FUND BALANCES**

Fund balances, by category, at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 88,929	\$ -	\$ -	\$ -	\$ 88,929
Prepaid expenditures	368,475	-	-	1,630	370,105
Stores inventory	<u>1,418,428</u>	<u>-</u>	<u>-</u>	<u>736,207</u>	<u>2,154,635</u>
Subtotal nonspendable	<u>1,875,832</u>	<u>-</u>	<u>-</u>	<u>737,837</u>	<u>2,613,669</u>
Restricted:					
Unspent categorical revenues	7,928,575	-	-	-	7,928,575
Adult education	-	-	-	1,075,850	1,075,850
Cafeteria	-	-	-	15,786,979	15,786,979
Capital projects	-	64,312,959	-	24,106,205	88,419,164
Debt service	<u>-</u>	<u>-</u>	<u>159,659,824</u>	<u>-</u>	<u>159,659,824</u>
Subtotal restricted	<u>7,928,575</u>	<u>64,312,959</u>	<u>159,659,824</u>	<u>40,969,034</u>	<u>272,870,392</u>
Assigned:					
Textbooks	16,100,000	-	-	-	16,100,000
Facility Projects					
One-Time	12,919,474	-	-	-	12,919,474
Salary Negotiations	11,300,000	-	-	-	11,300,000
New CTE School	6,000,000	-	-	-	6,000,000
Design Science					
Facility Program	6,000,000	-	-	-	6,000,000
Technology One-Time Funds	5,122,506	-	-	-	5,122,506
Ongoing Routine					
Maintenance One-Time Funds	3,057,996	-	-	-	3,057,996
Professional Learning					
Carryover	1,439,450	-	-	-	1,439,450
Fresno High CTE	1,000,000	-	-	-	1,000,000
Other assignments	<u>1,249,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,249,039</u>
Subtotal assigned	<u>64,188,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,188,465</u>
Unassigned:					
Designated for economic uncertainty	<u>81,821,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,821,965</u>
Total fund balances	<u>\$155,814,837</u>	<u>\$ 64,312,959</u>	<u>\$159,659,824</u>	<u>\$ 41,706,871</u>	<u>\$421,494,491</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

*General Information about the State Teachers' Retirement Plan*

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

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

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

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

*CalSTRS 2% at 60*

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

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

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(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

*CalSTRS 2% at 62*

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

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

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

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

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-2017. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-2017.

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

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

*Employers* – 12.58 percent of applicable member earnings.

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

The CalSTRS employer contribution rate increases effective for fiscal year 2016-2017 through fiscal year 2045-46 are summarized in the table below:

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

The District contributed \$44,207,146 to the plan for the fiscal year ended June 30, 2017.

*State* - 8.828 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include \$72 million reduction with Education Code 22954

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 549,121,000
State's proportionate share of the net pension liability associated with the District	<u>312,634,000</u>
Total	<u><u>\$ 861,755,000</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2016, the District's proportion was 0.679 percent, which was a decrease of 0.017 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$81,515,385 and revenue of \$27,263,669 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 13,395,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	43,655,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	14,567,000	11,111,000
Contributions made subsequent to measurement date	<u>44,207,146</u>	<u>-</u>
Total	<u><u>\$ 102,429,146</u></u>	<u><u>\$ 24,506,000</u></u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

\$44,207,146 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ (820,475)
2019	\$ (820,475)
2020	\$ 24,772,651
2021	\$ 14,991,567
2022	\$ (1,382,933)
2023	\$ (3,024,335)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuation for more information.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13	9.30
Real Estate	13	5.20
Inflation Sensitive	4	3.80
Fixed Income	12	0.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Cash / Liquidity	2	(1.00)

\* 20-year geometric average

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	<u>\$790,309,000</u>	<u>\$549,121,000</u>	<u>\$348,805,000</u>

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

(Continued)

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

*General Information about the Public Employer’s Retirement Fund B*

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-2017.

*Employers* - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$15,457,728 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$181,422,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2016, the District’s proportion was 0.919 percent, which was an increase of 0.014 percent from its proportion measured as of June 30, 2015.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

For the year ended June 30, 2017, the District recognized pension expense of \$25,136,815. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 7,803,000	\$ -
Changes of assumptions	-	5,451,000
Net differences between projected and actual earnings on investments	28,151,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,063,000	-
Contributions made subsequent to measurement date	<u>15,457,728</u>	<u>-</u>
Total	<u>\$ 55,474,728</u>	<u>\$ 5,451,000</u>

\$15,457,728 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 6,684,267
2019	\$ 6,684,267
2020	\$ 13,850,266
2021	\$ 7,347,200

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

\* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 270,683,000</u>	<u>\$ 181,422,000</u>	<u>\$ 107,095,000</u>

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Notes 8 and 9, the District provides post employment health care benefits to all employees and their dependents who have served the District for 16 years under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. 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.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

The District established an irrevocable trust under the California Employer's Retiree Benefit Trust Program (CERBT) to prefund the costs of other postemployment benefits. The funds in the CERBT are held in trust and will be administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Education. The District's contributions to the irrevocable trust is included in the CERBT, which is included in the CalPERS CAFR. Copies of the CalPERS' CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

The CERBT fund, which is an Internal Revenue Code (IRC) Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

For the year ended June 30, 2017, the District's contribution to the CERBT investment trust fund totaled \$3,500,000. At June 30, 2017, the balance of the CERBT investment fund was \$36,358,826.

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	\$ 72,682,659
Interest on net OPEB obligation	21,037,553
Adjustment to annual required contribution	<u>(18,217,833)</u>
Annual OPEB cost (expense)	75,502,379
Contributions made	<u>(42,593,400)</u>
Increase in net OPEB obligation	32,908,979
Net OPEB obligation - beginning of year	<u>350,625,879</u>
Net OPEB obligation - end of year	<u><u>\$ 383,534,858</u></u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 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, 2015	\$ 67,918,805	53.9%	\$ 312,438,148
June 30, 2016	\$ 72,682,659	47.5%	\$ 350,625,879
June 30, 2017	\$ 75,502,379	56.4%	\$ 383,534,858

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$964.6 million, and the actuarial value of assets was \$26.2 million, resulting in an unfunded actuarial liability (UAAL) of \$938.4 million and a funded ratio of 2.7 percent. The covered payroll (annual payroll of active employees covered by the Plan) was \$426 million, and the ratio of the UAAL to the covered payroll was 220 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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 3 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, 2017, was 28 years.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 11 - JOINT POWERS AGREEMENT**

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2016 (the most recent information available):

Total assets	\$ 82,396,086
Deferred outflows of resources	\$ 20,338,158
Total liabilities	\$ 101,973,164
Net position	\$ 761,080
Total revenues	\$ 4,749,307
Total expenses	\$ 4,306,424

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

**NOTE 12 - CONTINGENCIES**

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

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

Construction Commitments: As of June 30, 2017, the District has \$8.4 million in outstanding commitments on construction contracts.

**NOTE 13 - FINANCIAL RESPONSIBILITY**

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

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 13 - FINANCIAL RESPONSIBILITY** (Continued)

The District continues to maintain a positive reserve in the current and future years as shown in the 2017/18 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

FRESNO UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 624,190,461	\$ 625,547,484	\$ 616,402,822	\$ (9,144,662)
Local sources	<u>49,335,389</u>	<u>49,335,389</u>	<u>61,358,140</u>	<u>12,022,751</u>
Total LCFF	<u>673,525,850</u>	<u>674,882,873</u>	<u>677,760,962</u>	<u>2,878,089</u>
Federal sources	81,967,282	90,091,274	74,761,024	(15,330,250)
Other state sources	113,291,270	120,319,874	107,179,798	(13,140,076)
Other local sources	<u>17,788,734</u>	<u>20,210,799</u>	<u>15,495,977</u>	<u>(4,714,822)</u>
Total revenues	<u>886,573,136</u>	<u>905,504,820</u>	<u>875,197,761</u>	<u>(30,307,059)</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	378,108,015	375,803,415	357,105,787	18,697,628
Classified salaries	110,080,976	113,965,587	113,871,995	93,592
Employee benefits	224,177,110	223,447,276	209,941,329	13,505,947
Books and supplies	54,844,380	59,033,215	44,244,868	14,788,347
Contract services and operating expenditures	106,657,937	100,701,496	83,805,622	16,895,874
Other outgo	12,353,717	12,807,175	4,519,116	8,288,059
Capital outlay	14,515,614	30,131,664	2,965,645	27,166,019
Debt service:				
Principal retirement	<u>-</u>	<u>-</u>	<u>117,084</u>	<u>(117,084)</u>
Total expenditures	<u>900,737,749</u>	<u>915,889,828</u>	<u>816,571,446</u>	<u>99,318,382</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(14,164,613)</u>	<u>(10,385,008)</u>	<u>58,626,315</u>	<u>69,011,323</u>
<b>Other financing sources (uses):</b>				
Transfers in	5,569,739	5,821,029	3,816,892	(2,004,137)
Transfers out	<u>(6,326,409)</u>	<u>(5,956,499)</u>	<u>(2,539,730)</u>	<u>3,416,769</u>
Total other financing uses	<u>(756,670)</u>	<u>(135,470)</u>	<u>1,277,162</u>	<u>1,412,632</u>
Net change in fund balance	(14,921,283)	(10,520,478)	59,903,477	70,423,955
Fund balance, July 1, 2016	<u>95,911,360</u>	<u>95,911,360</u>	<u>95,911,360</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 80,990,077</u>	<u>\$ 85,390,882</u>	<u>\$ 155,814,837</u>	<u>\$ 70,423,955</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, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 444,000,000	221%
July 1, 2012	\$ -	\$ 956,000,000	\$ 956,000,000	0%	\$ 377,000,000	254%
July 1, 2013	\$ -	\$ 820,000,000	\$ 820,000,000	0%	\$ 386,000,000	212%
July 1, 2015	\$ 26,247,632	\$ 964,604,739	\$ 938,357,107	2.72%	\$ 426,000,000	220%

See accompanying notes to required supplementary information.



FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.666%	0.696%	0.679%
District's proportionate share of the net pension liability	\$ 389,455,000	\$ 468,883,000	\$ 549,121,000
State's proportionate share of the net pension liability associated with the District	<u>235,171,000</u>	<u>247,987,000</u>	<u>312,634,000</u>
Total net pension liability	<u>\$ 624,626,000</u>	<u>\$ 716,870,000</u>	<u>\$ 861,755,000</u>
District's covered payroll	296,840,000	323,258,000	338,357,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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

All years prior to 2015 are not available.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.845%	0.905%	0.919%
District's proportionate share of the net pension liability	\$ 95,928,000	\$ 133,463,000	\$ 181,422,000
District's covered payroll	\$ 88,704,000	\$ 100,241,000	\$ 110,204,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	74.02%	73.89%

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

All years prior to 2015 are not available.

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See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 28,705,329	\$ 36,305,716	\$ 44,207,146
Contributions in relation to the contractually required contribution	\$ 28,705,329	\$ 36,305,716	\$ 44,207,146
District's covered payroll	\$ 323,258,000	\$ 338,357,000	\$ 351,408,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	11,799,345	13,055,815	15,457,728
Contributions in relation to the contractually required contribution	\$ 11,799,345	\$ 13,055,815	\$ 15,457,728
District's covered payroll	\$ 100,241,000	\$ 110,204,000	\$ 111,303,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

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See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

D - Schedule of District Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in June 30, 2013, 2014 and 2015 actuarial reports, respectively. There were no changes in assumptions reported for the State Teachers' Retirement Plan.

**SUPPLEMENTARY INFORMATION**

FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2017

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Reserve for Capital Outlay Projects Fund	Tax Override Fund	Total
<b>ASSETS</b>									
Cash in County Treasury	\$ 794,697	\$ 688,626	\$ 9,690,251	\$ 215,244	\$ 1,754,025	\$ 16,787,815	\$ 4,962,142	\$ 8,309	\$ 34,901,109
Cash on hand and in banks	5,286	-	6,495,787	-	-	-	-	-	6,501,073
Cash collections awaiting deposit	-	-	-	-	12,601	-	-	-	12,601
Receivables	1,601,965	14,965	7,953,967	556	6,074	47,710	19,735	32	9,645,004
Prepaid expenditures	1,630	-	-	-	-	-	-	-	1,630
Due from other funds	308,222	1,756,532	-	188,070	-	3,913,139	338,097	-	6,504,060
Stores inventory	-	-	736,207	-	-	-	-	-	736,207
	<u>-</u>	<u>-</u>	<u>736,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,207</u>
Total assets	<u>\$ 2,711,800</u>	<u>\$ 2,460,123</u>	<u>\$ 24,876,212</u>	<u>\$ 403,870</u>	<u>\$ 1,772,700</u>	<u>\$ 20,748,664</u>	<u>\$ 5,319,974</u>	<u>\$ 8,341</u>	<u>\$ 58,301,684</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 146,718	\$ 260,951	\$ 2,194,931	\$ 403,870	\$ 451,243	\$ 3,253,115	\$ 6,849	\$ -	\$ 6,717,677
Unearned revenue	-	220,600	-	-	-	-	-	-	220,600
Due to other funds	<u>1,487,602</u>	<u>1,978,572</u>	<u>6,158,095</u>	<u>-</u>	<u>16,882</u>	<u>-</u>	<u>7,044</u>	<u>8,341</u>	<u>9,656,536</u>
Total liabilities	<u>1,634,320</u>	<u>2,460,123</u>	<u>8,353,026</u>	<u>403,870</u>	<u>468,125</u>	<u>3,253,115</u>	<u>13,893</u>	<u>8,341</u>	<u>16,594,813</u>
Fund balances:									
Nonspendable	1,630	-	736,207	-	-	-	-	-	737,837
Restricted	<u>1,075,850</u>	<u>-</u>	<u>15,786,979</u>	<u>-</u>	<u>1,304,575</u>	<u>17,495,549</u>	<u>5,306,081</u>	<u>-</u>	<u>40,969,034</u>
Total fund balances	<u>1,077,480</u>	<u>-</u>	<u>16,523,186</u>	<u>-</u>	<u>1,304,575</u>	<u>17,495,549</u>	<u>5,306,081</u>	<u>-</u>	<u>41,706,871</u>
Total liabilities and fund balances	<u>\$ 2,711,800</u>	<u>\$ 2,460,123</u>	<u>\$ 24,876,212</u>	<u>\$ 403,870</u>	<u>\$ 1,772,700</u>	<u>\$ 20,748,664</u>	<u>\$ 5,319,974</u>	<u>\$ 8,341</u>	<u>\$ 58,301,684</u>

FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2017

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Reserve for Capital Outlay Projects Fund	Tax Override Fund	Total
<b>Revenues:</b>									
Federal sources	\$ 1,396,790	\$ 380,532	\$ 49,375,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,153,178
Other state sources	5,472,576	12,601,377	3,399,086	-	-	-	-	-	21,473,039
Other local sources	<u>1,032,724</u>	<u>196,918</u>	<u>1,106,743</u>	<u>2,307</u>	<u>1,005,454</u>	<u>96,240</u>	<u>230,138</u>	<u>(471)</u>	<u>3,670,053</u>
Total revenues	<u>7,902,090</u>	<u>13,178,827</u>	<u>53,881,685</u>	<u>2,307</u>	<u>1,005,454</u>	<u>96,240</u>	<u>230,138</u>	<u>(471)</u>	<u>76,296,270</u>
<b>Expenditures:</b>									
Current:									
Certificated salaries	2,550,910	4,788,255	-	-	-	-	-	-	7,339,165
Classified salaries	1,418,774	3,367,326	12,195,395	-	28,721	408,144	317,346	-	17,735,706
Employee benefits	1,767,207	4,124,856	8,121,004	-	12,550	186,873	132,322	-	14,344,812
Books and supplies	788,143	109,188	23,058,042	48,662	77,513	3,474	-	-	24,085,022
Contract services and operating expenditures	925,377	371,950	3,049,148	2,492,904	1,165,834	2,933,426	14,050	-	10,952,689
Capital outlay	<u>17,708</u>	<u>-</u>	<u>141,112</u>	<u>-</u>	<u>-</u>	<u>33,847,260</u>	<u>-</u>	<u>-</u>	<u>34,006,080</u>
Total expenditures	<u>7,468,119</u>	<u>12,761,575</u>	<u>46,564,701</u>	<u>2,541,566</u>	<u>1,284,618</u>	<u>37,379,177</u>	<u>463,718</u>	<u>-</u>	<u>108,463,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>433,971</u>	<u>417,252</u>	<u>7,316,984</u>	<u>(2,539,259)</u>	<u>(279,164)</u>	<u>(37,282,937)</u>	<u>(233,580)</u>	<u>(471)</u>	<u>(32,167,204)</u>
<b>Other financing sources (uses):</b>									
Transfers in	-	-	-	2,539,259	-	44,070,512	189,842	471	46,800,084
Transfers out	<u>(171,272)</u>	<u>(417,252)</u>	<u>(1,570,434)</u>	<u>-</u>	<u>(29,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,188,421)</u>
Total other financing sources (uses)	<u>(171,272)</u>	<u>(417,252)</u>	<u>(1,570,434)</u>	<u>2,539,259</u>	<u>(29,463)</u>	<u>44,070,512</u>	<u>189,842</u>	<u>471</u>	<u>44,611,663</u>
Net change in fund balances	262,699	-	5,746,550	-	(308,627)	6,787,575	(43,738)	-	12,444,459
Fund balances, July 1, 2016	<u>814,781</u>	<u>-</u>	<u>10,776,636</u>	<u>-</u>	<u>1,613,202</u>	<u>10,707,974</u>	<u>5,349,819</u>	<u>-</u>	<u>29,262,412</u>
Fund balances, June 30, 2017	<u>\$ 1,077,480</u>	<u>\$ -</u>	<u>\$ 16,523,186</u>	<u>\$ -</u>	<u>\$ 1,304,575</u>	<u>\$ 17,495,549</u>	<u>\$ 5,306,081</u>	<u>\$ -</u>	<u>\$ 41,706,871</u>



FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2017

	Balance July 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2017
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 464,658	\$ 1,008,009	\$ 1,064,673	\$ 407,994
Cash on hand and in banks	120,977	654,166	633,971	141,172
Stores inventory	<u>453</u>	<u>15,429</u>	<u>13,626</u>	<u>2,256</u>
Total assets	<u>\$ 586,088</u>	<u>\$ 1,677,604</u>	<u>\$ 1,712,270</u>	<u>\$ 551,422</u>
Liabilities:				
Due to student groups	<u>\$ 586,088</u>	<u>\$ 1,677,604</u>	<u>\$ 1,712,270</u>	<u>\$ 551,422</u>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	293,192	918,478	870,808	340,862
Stores inventory	<u>13,472</u>	<u>116,781</u>	<u>118,730</u>	<u>11,523</u>
Total assets	<u>\$ 306,664</u>	<u>\$ 1,035,259</u>	<u>\$ 989,538</u>	<u>\$ 352,385</u>
Liabilities:				
Due to student groups	<u>\$ 306,664</u>	<u>\$ 1,035,259</u>	<u>\$ 989,538</u>	<u>\$ 352,385</u>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	8,923	100	633	8,390
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,923</u>	<u>\$ 100</u>	<u>\$ 633</u>	<u>\$ 8,390</u>
Liabilities:				
Due to student groups	<u>\$ 8,923</u>	<u>\$ 100</u>	<u>\$ 633</u>	<u>\$ 8,390</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2017

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 20,816	\$ 3,306	\$ 15,263	\$ 8,859
Cash on hand and in banks	1,195,389	2,316,745	2,238,148	1,273,986
Stores inventory	<u>18,624</u>	<u>77,256</u>	<u>65,978</u>	<u>29,902</u>
Total assets	<u>\$ 1,234,829</u>	<u>\$ 2,397,307</u>	<u>\$ 2,319,389</u>	<u>\$ 1,312,747</u>
Liabilities:				
Due to student groups	<u>\$ 1,234,829</u>	<u>\$ 2,397,307</u>	<u>\$ 2,319,389</u>	<u>\$ 1,312,747</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 485,474	\$ 1,011,315	\$ 1,079,936	\$ 416,853
Cash on hand and in banks	1,618,481	3,889,489	3,743,560	1,764,410
Stores inventory	<u>32,549</u>	<u>209,466</u>	<u>198,334</u>	<u>43,681</u>
Total assets	<u>\$ 2,136,504</u>	<u>\$ 5,110,270</u>	<u>\$ 5,021,830</u>	<u>\$ 2,224,944</u>
Liabilities:				
Due to student groups	<u>\$ 2,136,504</u>	<u>\$ 5,110,270</u>	<u>\$ 5,021,830</u>	<u>\$ 2,224,944</u>

FRESNO UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2017

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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, 2017 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Brooke Ashjian	President	2018
Claudia Cazares	Clerk	2020
Valerie F. Davis	Member	2018
Christopher De La Cerda	Member	2018
Lindsay Cal Johnson	Member	2018
Elizabeth Jonasson Rosas	Member	2020
Carol Mills, J.D	Member	2020

The Superintendent's Executive Staff at June 30, 2017 was comprised of the following:

Robert G. Nelson  
Interim Superintendent

Ruth F. Quinto  
Deputy Superintendent /  
Chief Financial Officer  
Administrative Services

Katie Russell  
Instructional Superintendent  
School Leadership

Alex Belanger  
Assistant Superintendent  
Facilities Management & Planning

Kim Mecum  
Chief Academic Officer  
School Leadership

Ed Gomes  
Instructional Superintendent  
School Leadership

Brian Beck  
Assistant Superintendent  
Special Education & Health Svcs

Paul Idsvoog  
Chief Executive  
Human Resources/  
Labor Relations

Misty Her  
Instructional Superintendent  
School Leadership

Holland Locker  
Assistant Superintendent  
School Operations

Jorge Aguilar  
Chief of Equity and Access

Brian Wall  
Instructional Superintendent  
School Leadership

Maria Maldonado  
Assistant Superintendent  
English Learner Services

Karin Temple  
Chief Operations Officer  
Operational Services

Melissa Dutra  
Instructional Superintendent  
School Leadership

Jacque Canfield  
Executive Officer  
Fiscal Services

Kurt Madden  
Chief Technology Officer  
Technology Services

David Chavez  
Interim Chief of Staff

Kim Kelstrom  
Director, Fiscal Services

Miguel Arias  
Executive Director  
Communications Office

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FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2017

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	<u>Second Period Report</u>	<u>Revised Second Period Report</u>	<u>Annual Report</u>
Elementary:			
Transitional Kindergarten through Third	23,278	23,286	23,234
Fourth through Sixth	16,175	16,179	16,114
Seventh and Eighth	<u>10,035</u>	<u>10,037</u>	<u>9,975</u>
Subtotal Elementary	<u>49,488</u>	<u>49,502</u>	<u>49,323</u>
Secondary:			
Ninth through Twelfth	<u>17,226</u>	<u>17,234</u>	<u>16,971</u>
Subtotal Secondary	<u>17,226</u>	<u>17,234</u>	<u>16,971</u>
District Total	<u><u>66,714</u></u>	<u><u>66,736</u></u>	<u><u>66,294</u></u>

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See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2017

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<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>2016-2017 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b><u>District:</u></b>				
Kindergarten	36,000	47,290	180	In Compliance
Grade 1	50,400	55,340	180	In Compliance
Grade 2	50,400	55,340	180	In Compliance
Grade 3	50,400	55,340	180	In Compliance
Grade 4	54,000	55,340	180	In Compliance
Grade 5	54,000	55,340	180	In Compliance
Grade 6	54,000	55,353	180	In Compliance
Grade 7	54,000	60,713	180	In Compliance
Grade 8	54,000	60,713	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance

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See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Programs:		
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 43,895,661
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>101,780</u>
	Subtotal NCLB: Title I Programs		<u>43,997,441</u>
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	11,337,304
84.027	IDEA Local Assistance, Private School ISPs Part B, Sec. 611	10115	23,783
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	968,390
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	335,860
84.173	Special Ed: Alternate Dispute Resolution, Part B, Sec. 611	23761	14,759
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	794,128
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	<u>2,673</u>
	Subtotal Special Education Cluster		<u>13,476,897</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Migrant Ed Programs:		
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	\$ 344,899
	Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	1,478,971
84.365	NCLB: Title III, Immigrant Student Program	15146	<u>82,876</u>
	Subtotal Title III Programs		<u>1,561,847</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	415,287
84.002	Adult Education: Adult Secondary Education	13978	507,313
84.002A	Adult Education: English Literacy and Civics Education	14109	160,254
84.002	Adult Education: Citizenship and Integration Direct Services Grant Program	-	<u>63,095</u>
	Subtotal Adult Education Programs		<u>1,145,949</u>
	Carl D. Perkins Career and Tech Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Vocational and Applied Technology State Leadership, Section 124 (Vocational Education)	14894	1,082,456
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	<u>250,841</u>
	Subtotal Carl D. Perkins Career and Tech Education Programs		<u>1,333,297</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.350	Teacher Quality Partnership Program	-	\$ 1,592,890
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	5,879,500
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	752,425
84.060	Indian Education	10011	44,699
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.411	New Teacher Induction Program	-	304,584
84.330	Advanced Placement Test Fee Reimbursement	-	<u>474,887</u>
Total U.S. Department of Education			<u>70,990,430</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Development: Federal General and Preschool, Family Child Care Home (CCDF Cluster)	13609	380,532
93.778	Department of Health Services: Medi-Cal Billing Option (Medicaid Cluster)	10013	<u>2,315,991</u>
Total U.S. Department of Health and Human Services			<u>2,696,523</u>
<u>U.S. Department of Transportation - Passed through California Department of Education</u>			
20.205	Highway Planning and Construction - Highway Planning and Construction Cluster	-	<u>938,575</u>
Total U.S. Department of Transportation			<u>938,575</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims, Centers and Family Day Care Homes	13529	2,751,975
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	45,188,523
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	2,051,126
10.579	Child Nutrition: NSLP Equipment Assistance Program	14906	<u>96,520</u>
Total U.S. Department of Agriculture			<u>50,088,144</u>
Total Federal Programs			<u>\$ 124,728,431</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, 2017

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

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See accompanying notes to supplemental information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2017  
(UNAUDITED)

	(Adopted Budget) 2018	2017	2016	2015
<u>General Fund</u>				
Revenues and other financing sources	\$ 900,292,614	\$ 879,014,653	\$ 859,144,168	\$ 721,522,493
Expenditures	927,579,933	816,571,446	822,860,362	719,164,690
Other uses and transfers out	<u>4,856,409</u>	<u>2,539,730</u>	<u>6,142,082</u>	<u>7,088,033</u>
Total outgo	<u>932,436,342</u>	<u>819,111,176</u>	<u>829,002,444</u>	<u>726,252,723</u>
Change in fund balance	<u>\$ (32,143,728)</u>	<u>\$ 59,903,477</u>	<u>\$ 30,141,724</u>	<u>\$ (4,730,230)</u>
Ending fund balance	<u>\$ 123,671,109</u>	<u>\$ 155,814,837</u>	<u>\$ 95,911,360</u>	<u>\$ 65,769,636</u>
Available reserves	<u>\$ 99,240,079</u>	<u>\$ 81,821,965</u>	<u>\$ 57,707,610</u>	<u>\$ 49,597,181</u>
Designated for economic uncertainties	<u>\$ 99,240,079</u>	<u>\$ 81,821,965</u>	<u>\$ 57,707,610</u>	<u>\$ 49,597,181</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>10.14%</u>	<u>9.99%</u>	<u>6.96%</u>	<u>6.83%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$1,746,092,925</u>	<u>\$1,783,729,652</u>	<u>\$1,474,833,962</u>	<u>\$1,275,841,332</u>
Average daily attendance at P-2	<u>66,842</u>	<u>66,736</u>	<u>66,598</u>	<u>66,534</u>

The General Fund fund balance has increased by \$85,314,971 over the past three years. The fiscal year 2017-2018 budget projects a deficit of \$32,143,728. 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, 2017, 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 2017-2018.

Total long-term liabilities have increased by \$507,888,320 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 202 over the past two years. An increase of 106 ADA is projected for the 2017-2018 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2017

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<u>Charter Schools Chartered by District</u>	<u>Charter #</u>	<u>Included in District Financial Statements, or Separate Report</u>
Morris Dailey Elementary Charter School	1172	Separate Report
Kepler Neighborhood School	1503	Separate Report
School of Unlimited Learning	0149	Separate Report
Carter G. Woodson Public Charter	0378	Separate Report
Valley Preparatory Academy	0662	Separate Report
Valley Arts and Science Academy	0792	Separate Report
University High School	0890	Separate Report
Sierra Charter School	0898	Separate Report
Aspen Public Charter School	1792	Separate Report

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See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2017

**NOTE 1- PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Fresno Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. As a sub-recipient of the State of California the District is using the approved indirect cost rate provided by the California Department of Education rather than the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2017.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 125,914,202
Add:		
Advanced Placement Test Fee expenditures in excess of funds received	84.330	206,991
Child Nutrition: School Programs expenditures in excess of funds received	10.555	1,741,830
Medi-Cal Billing Option expenditures in excess of funds received	93.778	1,140,041
Highway Planning and Construction expenditures in excess of funds received	20.205	810,933
Less:		
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 funds received in excess of expenditures	84.027	(2,004,898)
Child Nutrition: CACFP Claims, Centers and Family Day Care Homes funds received in excess of expenditures	10.558	<u>(3,080,668)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 124,728,431</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION

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**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2017-2018 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2017, 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2017.

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

(Continued)

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

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

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

We did not perform any procedures related to Independent Study-Course Based because the District does not offer this program.

We did not perform any procedures related to Immunizations because the District does not have any schools (kindergarten and 7th Grade) that did not submit immunization assessment reports to the California Department of Public Health. In addition, the District did not have any schools that reported a conditional admission rate greater than 25 percent in kindergarten.

We did not perform any procedures related to Charter schools because the District did not include any charter schools in this report.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on Fresno Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Fresno Unified School District's compliance 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.

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

In our opinion, Fresno Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

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(Continued)

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California  
November 30, 2017



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, each major fund, and the aggregate remaining fund information of Fresno Unified School District as of and for the year ended June 30, 2017, 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 November 30, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fresno Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fresno Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fresno Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2017-001.

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(Continued)

## Compliance and Other Matters

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

### Fresno Unified School District's 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  
November 30, 2017

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2017.

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(Continued)

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

Management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fresno Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California  
November 30, 2017

## **FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2017

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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 2 CFR 200.516(a)? \_\_\_\_\_ Yes    \_\_\_X\_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Program
84.027, 84.027A, 84.173 84.173A	Special Education Cluster

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: Unmodified

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2017-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)**

Criteria

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

Condition

At one of the sites selected for visitation, we noted no evidence of approval for school fundraisers.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

School fundraisers should be properly approved before occurring.

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 procedures for formal approval of fundraisers.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2017

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>2016-001</b>  <u>Condition at various school sites:</u> <ul style="list-style-type: none"><li>• Sub-receipts are not issued for initial receipt of cash by student body clubs.</li><li>• There is lack of evidence of dual counts of cash when funds are received by the ASB clerk/secretary.</li></ul> <u>Recommendation:</u> <ul style="list-style-type: none"><li>• Sub-receipts should be issued for initial receipt of cash by student body clubs.</li><li>• Evidence of dual count of cash upon receipt should be maintained.</li></ul>	Implemented.	
<b>2016-002</b>  <u>Condition at JE Young Independent School:</u> <p>For one student two extra days were claimed for apportionment for which the student's work did not support.</p> <u>Recommendation:</u> The District should verify that all days used in determining independent study ADA is adequately supported by student work.	Implemented.	
<b>2016-003</b>  <u>Condition:</u> One pupil was incorrectly classified as English Learner (EL).  <u>Recommendation:</u> The District should have procedures in place to verify that the records maintained by the District matches what is reported in CalPADS.	Implemented.	

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