

FRESNO UNIFIED SCHOOL DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2012

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1-2
Chief Financial Officer's Report	3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	21-22
Statement of Fund Net Assets - Proprietary Fund - Self-Insurance Fund - Governmental Activities	23
Statement of Revenues, Expenses and Change in Fund Net Assets - Proprietary Fund - Self-Insurance Fund - Governmental Activities	24
Statement of Cash flows - Proprietary Fund - Self-Insurance Fund - Governmental Activities	25
Statement of Fund Net Assets - Proprietary Fund - Cafeteria Fund - Business-Type Activities	26
Statement of Revenues, Expenses and Change in Fund Net Assets - Proprietary Fund - Cafeteria Fund - Business-Type Activities	27

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Basic Financial Statements: (Continued)	
Fund Financial Statements: (Continued)	
Statement of Cash flows - Proprietary Fund - Cafeteria Fund - Business-Type Activities	28
Statement of Fiduciary Net Assets - Agency Funds	29
Notes to Basic Financial Statements	30-61
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	62
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	63
Notes to Required Supplementary Information	64
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	65
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	66
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	67-68
Organization	69
Schedule of Average Daily Attendance	70
Schedule of Instructional Time	71
Schedule of Expenditure of Federal Awards	72-74
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	75
Schedule of Financial Trends and Analysis - Unaudited	76
Schedule of Charter Schools	77

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Supplementary Information: (Continued)	
Notes to Supplementary Information	78-79
Independent Auditors' Report on Compliance with State Laws and Regulations	80-82
Independent Auditors' 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>	83-84
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	85-86
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	87-91
Status of Prior Year Findings and Recommendations	92-94

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2012, which collectively comprise Fresno Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of Fresno Unified School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-15 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress on pages 62-64 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Fresno Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


Crowe Horwath LLP

Sacramento, California
November 29, 2012



Preparing Career Ready Graduates

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SUPERINTENDENT

Michael E. Hanson

December 12, 2012

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, 2012, 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 \$81,874,828.

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

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

The financial statements for the year ended June 30, 2012 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully,

Ruth F. Quinto
Deputy Superintendent/Chief Financial Officer



Fresno Unified School District

Education Center • 2309 Tulare Street
Fresno, California 93721-2287 • (559) 457-3000

We, the management of the Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparison between fiscal year 2011/12 and fiscal year 2010/11.

FINANCIAL HIGHLIGHTS

- The primary government has net assets in governmental activities totaling \$188 million at June 30, 2012.
- Business-type activities have a net asset surplus of \$14 million.
- The total net assets of the District increased by \$10 million during fiscal year 2011/12. This is mainly due to continued construction of new capital assets as a result of Measure K, Measure Q and Quality School Construction bond funding offset by increased post-retirement benefits and reduction in state revenues due to the re-appropriation of state deferrals.
- The total assets the District's business-type activity for Food Services decreased by 14% mainly due to increased food costs.
- Fund balance of the District's governmental funds increased by \$91 million resulting in an ending fund balance of \$216 million. The majority of the increase is due to the receipt of revenue to continue constructions of new capital assets. In addition, the District has strategically planned utilization of the fund balance for one-time expenditures in 2012/13.
- At the end of the 2011/12 fiscal year, the fund surplus in the District's Unrestricted General Fund increased by \$17 million. This was mainly due to the final state adopted budget which re-established flat funding to 2010/11 levels and postponed additional reductions to school districts in 2011/12 awaiting voter approval of increased taxes. The increased taxes were voted on as part of 2012 Election and passed on November 6, 2012.
- GASB Code. Sec. P50 108-109 (previously GASB 45) requires an actuarial valuation of the District's Retiree Health Benefits Plan. The District is required to recognize the Annual Retirement Contribution (ARC) on an annual basis for 30 years. The ARC of \$79 million and interest cost of \$9 million for 2011/12 is offset with the 2011/12 actual healthcare costs of \$34 million for District retirees and covered dependents. The change of \$54 million is included as an increased liability. This is the fifth year the District has recognized the liability, which now totals \$226 million.
- The District's long-term obligations increased by \$161 million to \$655 million mainly as a result of the Measure Q bond funding and GASB 45 Retiree Health offset with continued payments to the general obligation bond debt and supplementary retirement benefits. In addition, the District has leveraged \$29 million of Measure Q bond funding to receive \$37 million from the State Qualified School Construction Bonds.
- The District maintained a positive financial position for 2011/12 as reflected by Moody's credit rating of Aa3 issued in June 2011 and affirmed in June 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

- The *Statement of Net Assets* presents information about all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets 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 assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

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

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

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

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

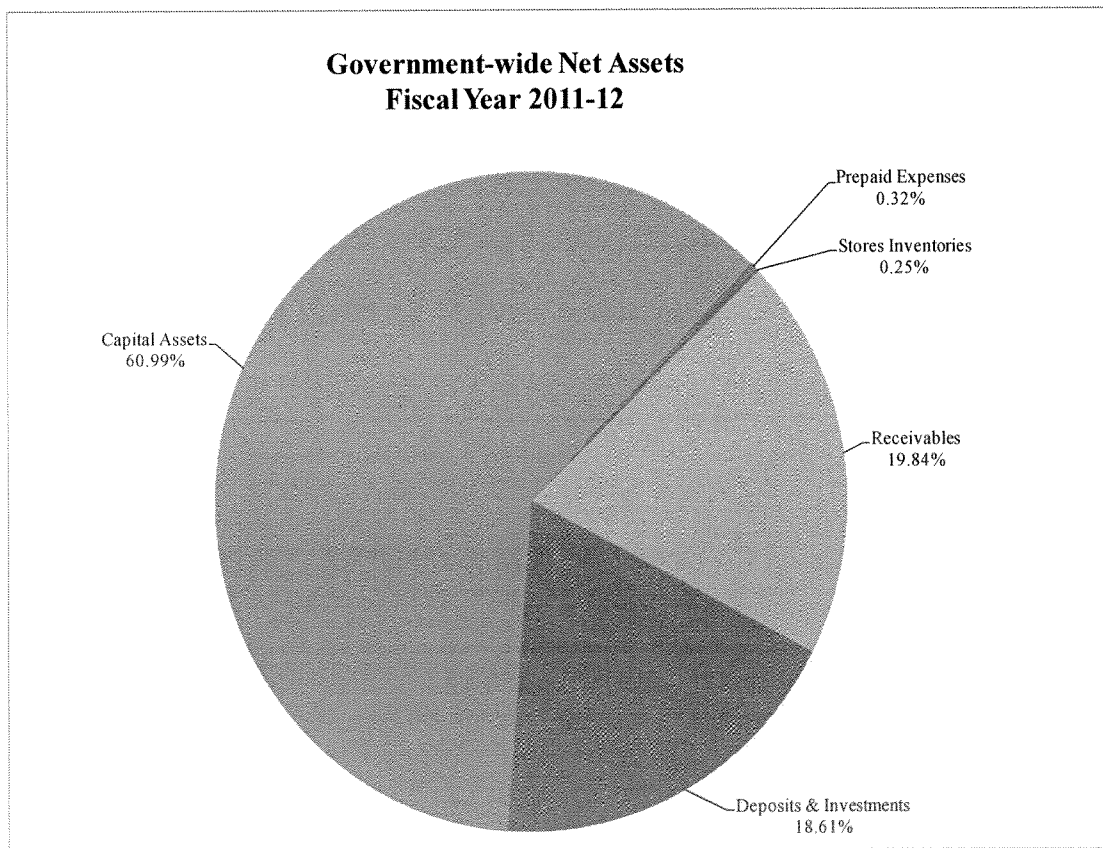
In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Change
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$374,630,324	\$282,700,662	\$12,562,620	\$14,322,350	\$387,192,944	\$297,023,012	30.36%
Capital assets	602,814,693	528,332,556	2,443,018	2,703,135	605,257,711	531,035,691	13.98%
Total Assets	\$977,445,017	\$811,033,218	\$15,005,638	\$17,025,485	\$992,450,655	\$828,058,703	19.85%
Current liabilities	135,131,315	141,955,981	784,055	405,823	135,915,370	142,361,804	-4.53%
Long-term liabilities	654,815,119	493,729,834	-	-	654,815,119	493,729,834	32.63%
Total Liabilities	\$789,946,434	\$635,685,815	\$784,055	\$405,823	\$790,730,489	\$636,091,638	24.31%
Net assets invested in capital assets, net of related debt	208,001,434	256,235,950	2,443,018	2,703,135	210,444,452	258,939,085	-18.73%
Restricted	172,178,392	89,271,734	11,778,565	13,916,527	183,956,957	103,188,261	78.27%
Unrestricted	(192,681,243)	(170,160,281)	-	-	(192,681,243)	(170,160,281)	13.24%
Total Net Assets	\$187,498,583	\$175,347,403	\$14,221,583	\$16,619,662	\$201,720,166	\$191,967,065	5.08%



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Government-wide Net Assets

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, deferred revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2011/12 fiscal year. Long-term liabilities such as general obligation bonds, capitalized lease obligations, Quality Zone Academy Bonds (QZAB), supplemental retirement benefits, and compensated absences will be liquidated from resources that will become available after the 2011/12 fiscal year. The Certificates of Participation (COP's) final payment was issued in 2011/12

The assets of the primary government activities exceed liabilities by \$188 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$603 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 71,197 public school students represents 61% of the District's total assets. The table and chart above summarizes the District's government-wide net assets.

The District's Business-type activity decreased net assets by \$2.4 million. The Business-type activity accounts for 7% of the District's net assets. Key elements that highlight the activities in 2011/12 fiscal year are as follows:

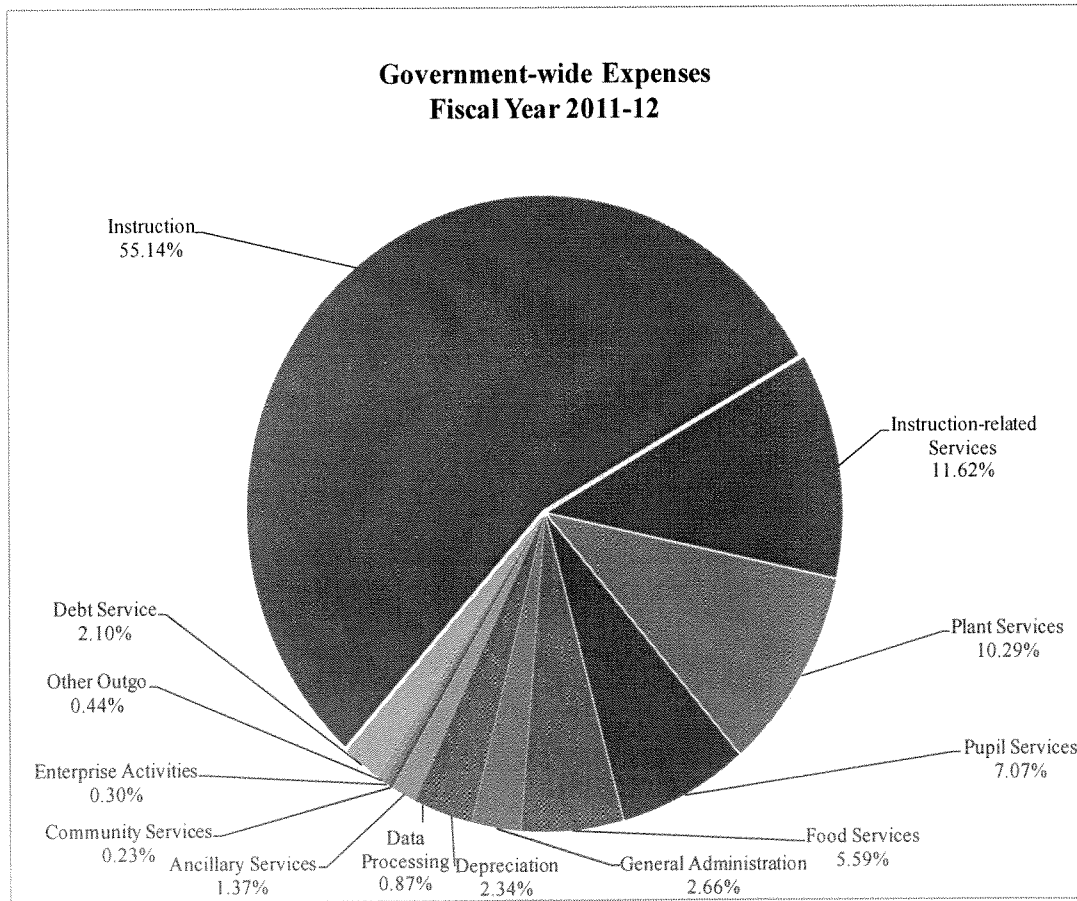
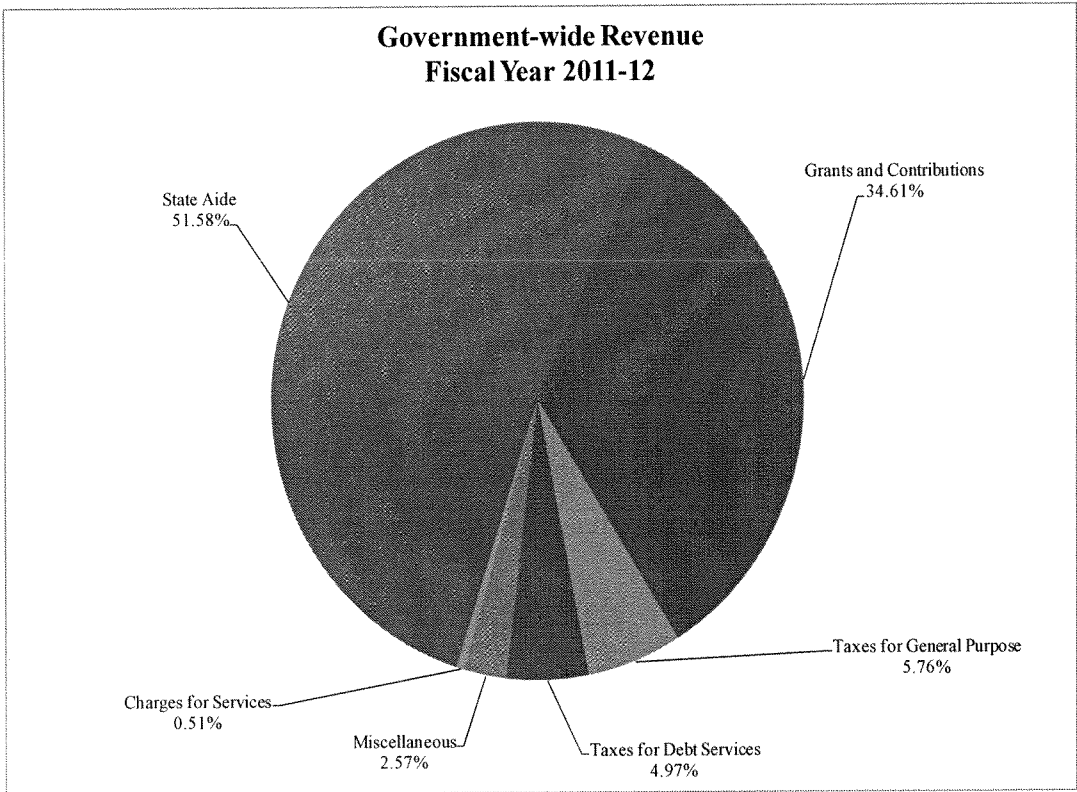
- The Cafeteria Fund provided over 23,500 breakfasts and 53,600 lunches and 8,000 snacks a day during the fiscal year and 15.3 million annually which is the same number of meals annually as the prior year.
- Fresno Unified had an 82% student population qualify for free or reduced price meals. Meals are served at 104 locations, utilizing 410 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- Eighty-five of the District's schools qualify for Provision 2 status due to the poverty level at these schools (an increase of one site from the prior year). This allows Food Services to provide meals to all enrolled students free of charge at these sites.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Statement of Activities

	Governmental		Business-Type		Total		Change
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
Program Revenues							
Charges for Services	\$2,799,527	\$2,889,652	\$981,222	\$1,039,701	\$3,780,749	\$3,929,353	-3.78%
Operating Grants & Contributions	206,248,206	212,372,068	35,635,809	34,438,812	241,884,015	246,810,880	-2.00%
Capital Grants and Contributions	16,286,769	15,358,622	-	-	16,286,769	15,358,622	6.04%
General Revenues							
Taxes and Subventions	80,034,823	79,382,815	-	-	80,034,823	79,382,815	0.82%
Federal and State Aid, Unrestricted	384,799,928	388,770,151	-	-	384,799,928	388,770,151	-1.02%
Interest and Investment Earnings	2,271,609	2,259,555	-	-	2,271,609	2,259,555	0.53%
Other General Revenues	16,902,905	7,646,452	-	-	16,902,905	7,646,452	121.06%
Total Revenues	\$709,343,767	\$708,679,315	\$36,617,031	\$35,478,513	\$745,960,798	\$744,157,828	0.24%
Expenses							
Instructional Related	\$491,413,023	\$578,677,520	-	-	\$491,413,023	\$578,677,520	-15.08%
Student Support Services	56,669,226	63,744,178	-	-	56,669,226	63,744,178	-11.10%
General Administrative	24,517,222	26,469,562	-	-	24,517,222	26,469,562	-7.38%
Maintenance and Operations	74,805,697	83,510,626	-	-	74,805,697	83,510,626	-10.42%
Depreciation	17,221,807	16,165,741	-	-	17,221,807	16,165,741	6.53%
Other	32,565,612	32,774,137	-	-	32,565,612	32,774,137	-0.64%
Enterprise Activities	-	-	39,015,110	36,746,892	39,015,110	36,746,892	6.17%
Total Expenses	\$697,192,587	\$801,341,764	\$39,015,110	\$36,746,892	\$736,207,697	\$838,088,656	-12.16%
Change in Net Assets	\$12,151,180	(\$92,662,449)	(\$2,398,079)	(\$1,268,379)	\$9,753,101	(\$93,930,828)	-110.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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 2011/12.

- The County School Facilities Funds spent \$77.9 million on projects (Measure K - \$42.5 million, Measure Q - \$29.3 million and Measure A - \$6.1 million).
- The County School Facilities Fund's major projects and activities included the following:
 - Modernization Projects included the following sites totaling \$33 million.

▪ King	\$4.3 million
▪ Columbia	\$3.7 million
▪ Addams	\$3.4 million
▪ Lawless	\$3.0 million
▪ Ayer	\$2.8 million
▪ Tehipite	\$2.4 million
▪ Bethune	\$2.4 million
▪ McCardle	\$2.0 million
▪ Slater	\$1.5 million
▪ Edison	\$1.3 million
▪ Bullard	\$1.0 million
▪ 65 other sites totaling	\$5.2 million
 - Construction and Maintenance major projects and activities included the following totaling \$44.9 million.

▪ Vang Pao	\$17.6 million
▪ Rowell	\$ 4.9 million
▪ Edison	\$ 4.5 million
▪ Roosevelt	\$ 4.2 million
▪ Hoover	\$ 2.9 million
▪ Winchell	\$ 2.4 million
▪ Fresno	\$ 2.0 million
▪ Wilson	\$ 2.0 million
▪ Mayfair	\$ 1.8 million
▪ 12 other sites totaling	\$ 2.6 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 decreased by 602 students during the fiscal year. The funded average daily attendance for fiscal year 2011/12 decreased 1,094 from the 2010/11 fiscal year. This decrease amounts to approximately \$5.7 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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 2011/12, Fresno Unified spent 60.36% towards classroom compensation.

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

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

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

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

The adopted unrestricted ending balance at year end for the 2011/12 budget was \$33.7 million. The actual ending balance was \$74.7 million. The difference of \$41.0 million is mainly due to the following:

- Revenue limit increases from adopted budget due to the final state adopted budget providing flat funding for 2011/12 including mid-year reductions due to state reduced revenue: \$40.6 million
- Utilization of the fund balance to support one-time expenditures including contributions to educational programs, personnel employee compensation including supporting the Health Fund: \$17.3 million.
- The Beginning Fund balance for 2011/12 was higher than estimated in the budget. This was mainly due to contributions savings and maximization of Stabilization Funds: \$8.7 million
- State Revenue recognized one time mandated cost revenue, revenue limit offsets, and other state: \$7.7 million
- Expenditures were lower than anticipated due to utilities and recognition of indirect costs: \$1.3 million

Capital Assets and Long-Term Liabilities

Governmental Activities,				
Capital Assets	2012	2011	\$ Change	% Change
Land	\$46,092,417	\$46,092,417	-	0.00%
Work-in-process	156,320,916	81,537,719	74,783,197	91.72%
Land improvements	56,095,431	47,101,118	8,994,313	19.10%
Buildings	585,613,081	581,632,188	3,980,893	0.68%
Equipment	29,552,614	33,216,844	(3,664,230)	-11.03%
Capital Assets, cost	\$873,674,459	\$789,580,286	\$84,094,173	10.65%
Accumulated Depreciation	(270,859,766)	(261,247,730)	(9,612,036)	3.68%
Governmental Activities Capital Assets, net	\$602,814,693	\$528,332,556	\$74,482,137	14.10%
Business-Type Activities,				
Capital Assets				
Equipment	\$6,282,659	7,033,219	(750,560)	-10.67%
Accumulated Depreciation	(3,839,641)	(4,330,084)	490,443	-11.33%
Business-Type Activities Capital Assets, net	\$2,443,018	\$2,703,135	(\$260,117)	-9.62%

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2012 was \$605 million (net of accumulated depreciation).

Capital assets include land, land improvements, buildings, equipment, and work-in-progress. Capital assets experienced relatively no change in the business-type activities. Capital assets continued to grow in the governmental activities as District-wide construction continued as a result of Measure "K" and Measure "Q" bond funding and Quality School Construction Bonds.

Summary of Long-Term Liabilities

	2012	2011	\$ Change	% Change
General Obligation Bonds	\$386,208,505	\$264,322,124	\$121,886,381	46.11%
Accreted Interest	6,047,429	3,884,922	\$ 2,162,507	55.66%
Certificates of Participation	-	8,525,000	\$ (8,525,000)	-100.00%
QZABs	1,169,909	2,063,283	\$ (893,374)	-43.30%
Unamortized Premium	1,387,416	749,903	\$ 637,513	85.01%
Other Postemployment Benefits	226,478,242	172,467,081	\$ 54,011,161	31.32%
Supplementary Retirement Benefits	31,107,170	38,883,962	\$ (7,776,792)	-20.00%
Compensated Absences	2,416,448	2,833,559	\$ (417,111)	-14.72%
Total Long-Term Liabilities	\$654,815,119	\$493,729,834	\$161,085,285	32.63%

At June 30, 2012, the District had total bonded debt outstanding of \$386 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for Quality Zone Academy Bonds in the amount of \$1.2 million still outstanding at the end of the 2011/12 fiscal year.

- Total long-term debt for the District increased \$161.1 million during the 2011/12 fiscal year due mainly to the recognition of GASB 45 Retiree Health of \$54.0 million and the sale of Measure Q Bonds and Quality School Construction Bonds offset by payments of \$122.0 million. In addition, the District continues to reduce its long-term debt on General Obligation Bonds and Supplementary Retirement Benefits. In 2011/12, the district completed payments to the certificates of participation.

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 \$39 million less than the maximum amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Economic Factors and Budgets and Rates for 2012/13

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 2012/13 Proposed Budget includes recommendations that continue to balance the Board of Education's investment in educational programs for students, employee compensation, and fiscal responsibility through a healthy financial reserve.

On June 1, 2012, the Board approved an Adopted Budget for fiscal year 2012/13. The Adopted Budget included a 5.92% unrestricted reserve.

- The major Federal assumptions are the Educational Jobs Funds and the Economic Stimulus Funds.
 - The Educational Jobs Funds awarded \$13.1 million and will be used to support the second of two year's payments for the retirement incentive. There are five annual payments.
- The major State assumption are:
 - Statutory cost-of-living adjustment of 3.24% and continued funding deficit of 22.272% and assuming an ongoing increase of \$212 per ADA
 - Mandate Block Grant funds mandated activities to be funded on a per ADA bases instead of through a claim process.
 - Continuation of the Tier III flexibility through 2014/15
- The Local assumptions are as follows:
 - The District is projected to be funded on the current year ADA.
 - Targeted improvement actions at school site level is supported by categorical funds of \$26.3 million
 - The Elementary School Aligned Instructional System: Instructional coaches, noontime assistant support, support for magnet programs, administrative support
 - The Middle School Aligned Instructional System: Transition teachers, counselors, instructional coaches, ELA/Math intervention teachers, support for magnet programs, campus culture personnel
 - The High School Aligned Instructional System: Counselors, instructional coaches, ELA/Math intervention teachers, corrective reading/intervention, support for magnet programs, activity and athletic directors, administrative support, sophomore online learning, police officers
 - Restore the temporary reduction in the work year per our employee agreements.
 - Transitional Kindergarten will be implemented at 35 (over half) of the district's elementary schools
 - Graduation Task Force recommendations to increase the number of graduates and decrease the number of dropouts
 - Utilize one-time reserves for:
 - Education Programs – Middle School International Baccalaureate Program, technology upgrades, expand Afterschool program, McLane High School support, Early Start Program Exemption Initiative
 - Personnel/Employee Compensation – Additional teaching positions to assist with lower class sizes, middle school math professional development for teachers, software for automating evaluation and professional learning
 - Ongoing support of instructional and teacher supplies increased allocation provided in 2007/08 of \$1.1 million through prioritization of unrestricted and categorical funds

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

- Benefit Rates
 - Maintain the Health rate in accordance with the current employee bargaining agreements
 - Workers' Compensation decreased from the 2007/08 levels and the Liability Insurance rates at 67% in 2010/11 and continues in 2012/13
 - The Liability rate will remain at the same level as in 2011/12, which has remained the same since fiscal year 2007/08
- Subsequent Events to the Adopted 2012/13 Budget
 - The November 2012 Proposition 30 tax measure passed. This will increase revenues by \$29 million and result in no reductions for 2012/13 increase support to the following programs: Preschool; Student Instruction Opportunities; Music Program; Career Readiness; Transportation; Staff support for Athletic Directors, Campus Culture Directors, National Board Certified Teachers; and, Custodians.

Post Employment Medical Benefits

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

The District's most recent actuarial study calculated the total gross liability for post employment benefits to be \$981 million in November 2010. The previous actuarial completed in September 2007 totaled \$758 million. The District is pursuing the establishment of an irrevocable trust imminently. The benefits of pre-funding into an irrevocable retiree trust are numerous including a reduced actuarial liability most likely in the range of \$790 million.

End Fund Balance Classification

Governmental Accounting Standards 54 (GASB 54) was implemented with the 2010/11 year end financial statements. GASB 54 reclassifies the categories that describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported. This does not change the amount of the fund balance.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 175,743,682	\$ 8,918,060	\$ 184,661,742
Receivables	190,697,928	6,206,950	196,904,878
Due from (to) other funds (Note 3)	3,418,194	(3,418,194)	-
Prepaid expenses	3,194,468	-	3,194,468
Stores inventory	1,576,052	855,804	2,431,856
Non-depreciable capital assets (Note 4)	202,413,333	-	202,413,333
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>400,401,360</u>	<u>2,443,018</u>	<u>402,844,378</u>
Total assets	<u>977,445,017</u>	<u>15,005,638</u>	<u>992,450,655</u>
LIABILITIES			
Accounts payable and other current liabilities	75,549,661	784,055	76,333,716
Deferred revenue	10,294,675	-	10,294,675
Self-insurance claims liability (Note 5)	49,286,979	-	49,286,979
Long-term liabilities (Note 6):			
Due within one year	29,607,999	-	29,607,999
Due after one year	<u>625,207,120</u>	<u>-</u>	<u>625,207,120</u>
Total liabilities	<u>789,946,434</u>	<u>784,055</u>	<u>790,730,489</u>
NET ASSETS			
Invested in capital assets, net of related debt	208,001,434	2,443,018	210,444,452
Restricted (Note 7)	172,178,392	11,778,565	183,956,957
Unrestricted	<u>(192,681,243)</u>	<u>-</u>	<u>(192,681,243)</u>
Total net assets	<u>\$ 187,498,583</u>	<u>\$ 14,221,583</u>	<u>\$ 201,720,166</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction	\$ 405,897,066	\$ 123,190,742	\$ 16,286,769	\$ (265,036,688)	\$ -	\$ (265,036,688)
Instruction-related services:						
Supervision of instruction	35,774,518	29,183,475	-	(6,434,946)	-	(6,434,946)
Instructional library, media and technology	9,436,526	6,313,749	-	(3,122,777)	-	(3,122,777)
School site administration	40,304,913	1,161,395	-	(39,080,863)	-	(39,080,863)
Pupil services:						
Home-to-school transportation	15,117,665	8,308,039	-	(6,210,061)	-	(6,210,061)
Food services	4,609,394	1,340,639	-	(3,266,079)	-	(3,266,079)
All other pupil services	36,942,167	22,280,446	-	(14,283,903)	-	(14,283,903)
General administration:						
Data processing	6,395,213	155,893	-	(6,139,216)	-	(6,139,216)
All other general administration	18,122,009	6,562,810	-	(11,500,786)	-	(11,500,786)
Plant services	74,805,697	1,022,253	-	(73,731,667)	-	(73,731,667)
Ancillary services	10,070,824	4,483,061	-	(5,587,763)	-	(5,587,763)
Community services	1,753,921	633,372	-	(1,112,994)	-	(1,112,994)
Enterprise activities	2,071,884	-	-	(2,071,884)	-	(2,071,884)
Interest on long-term liabilities	15,459,078	-	-	(15,459,078)	-	(15,459,078)
Other outgo	3,209,905	1,612,331	-	(1,597,574)	-	(1,597,574)
Depreciation (unallocated) (Note 4)	17,221,807	-	-	(17,221,807)	-	(17,221,807)
Business-type activities:						
Food services	36,108,336	918,396	-	-	(1,835,850)	(1,835,850)
All other general administration	1,445,495	36,354	-	-	(88,848)	(88,848)
Plant services	939,495	23,628	-	-	(57,746)	(57,746)
Enterprise services	113,101	2,844	-	-	(6,952)	(6,952)
Depreciation (Note 4)	408,683	-	-	-	(408,683)	(408,683)
Total governmental and business-type activities	\$ 736,207,697	\$ 3,780,749	\$ 241,884,014	\$ (471,858,086)	\$ (2,398,079)	\$ (474,256,165)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				42,948,024	-	42,948,024
Taxes levied for debt service				37,086,799	-	37,086,799
Taxes levied for other specific purpose				138,996	-	138,996
Federal and state aid not restricted to specific purposes				384,799,928	-	384,799,928
Interest and investment earnings				2,271,609	-	2,271,609
Miscellaneous				6,555,283	-	6,555,283
Special and extraordinary items				10,208,627	-	10,208,627
Total general revenues				484,009,266	-	484,009,266
Change in net assets				12,151,180	(2,398,079)	9,753,101
Net assets, July 1, 2011				175,347,403	16,619,662	191,967,065
Net assets, June 30, 2012				\$ 187,498,583	\$ 14,221,583	\$ 201,720,166

See accompanying notes to financial statements.

**FRESNO UNIFIED SCHOOL DISTRICT
BALANCE SHEET**

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 15,398,433	\$ 82,037,971	\$ 20,684,009	\$ 30,159,551	\$ 148,279,964
Cash awaiting deposit	-	-	-	48,468	48,468
Cash in revolving fund	83,214	-	-	-	83,214
Cash on hand and in banks	6,021,363	-	-	2,639	6,024,002
Receivables	185,324,745	336,958	65,809	1,641,389	187,368,901
Prepaid expenditures	39,637	-	-	-	39,637
Due from other funds	31	1,927,916	14,982,376	9,786,448	26,696,771
Stores inventory	1,544,925	-	-	31,127	1,576,052
	<u>\$ 208,412,348</u>	<u>\$ 84,302,845</u>	<u>\$ 35,732,194</u>	<u>\$ 41,669,622</u>	<u>\$ 370,117,009</u>
Total assets					
	<u>\$ 208,412,348</u>	<u>\$ 84,302,845</u>	<u>\$ 35,732,194</u>	<u>\$ 41,669,622</u>	<u>\$ 370,117,009</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 51,936,460	\$ 18,000	\$ 9,602,773	\$ 529,298	\$ 62,086,531
Deferred revenue	10,054,624	-	-	240,051	10,294,675
Due to other funds	64,546,436	15,502,075	-	1,304,683	81,353,194
	<u>126,537,520</u>	<u>15,520,075</u>	<u>9,602,773</u>	<u>2,074,032</u>	<u>153,734,400</u>
Total liabilities					
	<u>126,537,520</u>	<u>15,520,075</u>	<u>9,602,773</u>	<u>2,074,032</u>	<u>153,734,400</u>
Fund balances:					
Nonspendable	1,667,776	-	-	31,127	1,698,903
Restricted	7,127,607	68,782,770	26,129,421	39,564,463	141,604,261
Assigned	9,943,225	-	-	-	9,943,225
Unassigned	63,136,220	-	-	-	63,136,220
	<u>81,874,828</u>	<u>68,782,770</u>	<u>26,129,421</u>	<u>39,595,590</u>	<u>216,382,609</u>
Total fund balances					
	<u>81,874,828</u>	<u>68,782,770</u>	<u>26,129,421</u>	<u>39,595,590</u>	<u>216,382,609</u>
Total liabilities and fund balances	<u>\$ 208,412,348</u>	<u>\$ 84,302,845</u>	<u>\$ 35,732,194</u>	<u>\$ 41,669,622</u>	<u>\$ 370,117,009</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balances - Governmental Funds		\$ 216,382,609
Amounts reported for governmental activities in the statement of net assets 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 \$873,674,459 and the accumulated depreciation is \$270,859,766 (Note 4).		602,814,693
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, 2012 consisted of (Note 6):		
General Obligation Bonds	\$ (386,208,505)	
Unamortized premiums	(1,387,416)	
Accreted interest	(6,047,429)	
Qualified Zone Academy Bonds (QZAB's)	(1,169,909)	
Public Agency Retirement System (PARS)	(31,107,170)	
Other postemployment benefits (Note 9)	(226,478,242)	
Compensated absences	<u>(2,416,448)</u>	
		(654,815,119)
Internal service funds are included in the government-wide financial statements.		30,543,004
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.		2,480,161
Unmatured interest on long-term liabilities is recognized in the period incurred.		<u>(9,906,765)</u>
Total net assets - governmental activities		<u>\$ 187,498,583</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, 2012

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 312,611,389	-	-	-	\$ 312,611,389
Local sources	<u>40,823,013</u>	-	-	-	<u>40,823,013</u>
Total revenue limit	<u>353,434,402</u>	-	-	-	<u>353,434,402</u>
Federal sources	107,172,157	-	-	1,267,487	108,439,644
Other state sources	157,846,175	-	16,286,769	7,816,175	181,949,119
Other local sources	<u>14,491,094</u>	<u>11,428,956</u>	<u>137,065</u>	<u>39,463,487</u>	<u>65,520,602</u>
Total revenues	<u>632,943,828</u>	<u>11,428,956</u>	<u>16,423,834</u>	<u>48,547,149</u>	<u>709,343,767</u>
Expenditures:					
Certificated salaries	288,643,007	-	-	5,327,773	293,970,780
Classified salaries	87,737,259	-	733,869	2,969,407	91,440,535
Employee benefits	144,776,465	-	321,204	2,988,748	148,086,417
Books and supplies	25,811,763	-	45,876	744,214	26,601,853
Contract services and operating expenditures	53,401,021	1,391,061	4,432,413	5,366,579	64,591,074
Capital outlay	2,091,407	-	72,273,684	7,699,470	82,064,561
Other outgo	3,179,656	-	-	-	3,179,656
Debt service:					
Principal retirement	893,374	39,770,000	-	22,205,756	62,869,130
Interest	<u>606,533,952</u>	<u>41,161,061</u>	<u>77,807,046</u>	<u>14,689,663</u>	<u>14,689,663</u>
Total expenditures	<u>26,409,876</u>	<u>(29,732,105)</u>	<u>(61,383,212)</u>	<u>(13,444,461)</u>	<u>(78,149,902)</u>
Excess (deficiency) of revenues over (under) expenditures					
Other financing sources (uses):					
Operating transfers in	5,105,912	-	80,361,593	7,659,106	93,126,611
Operating transfers out	(14,473,554)	(80,574,611)	(71,328)	(5,311,623)	(100,431,116)
Proceeds from sale of bonds	-	175,337,137	-	-	175,337,137
Other financing sources	<u>-</u>	<u>712,613</u>	<u>-</u>	<u>-</u>	<u>712,613</u>
Total other financing sources (uses)	<u>(9,367,642)</u>	<u>95,475,139</u>	<u>80,290,265</u>	<u>2,347,483</u>	<u>168,745,245</u>
Net change in fund balances	17,042,234	65,743,034	18,907,053	(11,096,978)	90,595,343
Fund balances, July 1, 2011	<u>64,832,594</u>	<u>3,039,736</u>	<u>7,222,368</u>	<u>50,692,568</u>	<u>125,787,266</u>
Fund balances, June 30, 2012	<u>\$ 81,874,828</u>	<u>\$ 68,782,770</u>	<u>\$ 26,129,421</u>	<u>\$ 39,595,590</u>	<u>\$ 216,382,609</u>

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, 2012

Net change in fund balances - Total Governmental Funds \$ 90,595,343

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 assets (Note 4).	\$ 91,703,944
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(17,221,807)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6).	(175,337,137)
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 assets (Note 6).	62,869,130
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).	(637,514)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(2,162,506)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	1,043,393
Activities of the internal service fund are reported with governmental activities.	5,895,497
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.	1,220,095
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 9).	(54,011,161)

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
(Continued)
For the Year Ended June 30, 2012

<p>In governmental funds, public agency retirement system incentives are recognized when employers contributions are made. In the government-wide statements, public agency retirement system incentives are measured on the accrual basis (Note 6).</p>	\$	7,776,792
<p>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).</p>	<u>417,111</u>	\$ (78,444,163)
<p>Change in net assets of governmental activities</p>		<u>\$ 12,151,180</u>

See accompanying notes to financial statements.

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

June 30, 2012

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 19,308,034
Cash on hand and in banks	2,000,000
Receivables	3,329,027
Due from other funds	58,074,617
Prepaid expenditures	<u>674,670</u>
 Total assets	 <u>83,386,348</u>

LIABILITIES

Current liabilities:	
Accounts payable	3,556,365
Self insurance claims liability	<u>49,286,979</u>
 Total liabilities	 <u>52,843,344</u>

NET ASSETS

Restricted	<u>\$ 30,543,004</u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2012

Operating revenues:	
Self-insurance premiums	<u>\$122,096,955</u>
Operating expenses:	
Certificated salaries	104,187
Classified salaries	990,511
Employee benefits	470,618
Books and supplies	8,311
Contract services	<u>124,257,192</u>
Total operating expenses	<u>125,830,819</u>
Operating loss	(3,733,864)
Non-operating revenue:	
Interest income	879,361
Interfund transfer in	<u>8,750,000</u>
Total non-operating revenue	<u>9,629,361</u>
Change in net assets	5,895,497
Total net assets, July 1, 2011	<u>24,647,507</u>
Total net assets, June 30, 2012	<u>\$ 30,543,004</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 64,748,831
Cash received from user charges	9,271,701
Cash paid for employee benefits	(126,379,860)
Cash paid for salaries	(1,565,316)
Cash paid for other expenses	<u>(8,311)</u>
Net cash used in operating activities	(53,932,955)
Cash flows provided by financing activities:	
Transfers in	<u>8,750,000</u>
Cash flows provided by investing activities:	
Interest income received	<u>937,711</u>
Decrease in cash and investments	(44,245,244)
Cash and investments, July 1, 2011	<u>65,553,278</u>
Cash and investments, June 30, 2012	<u><u>\$ 21,308,034</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(3,733,864)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Decrease) increase in:	
Accounts receivable	(3,152,515)
Amount due from other funds	(44,923,908)
Prepaid expenditures	485,186
(Decrease) increase in:	
Accounts payable	(3,901,713)
Amount due to other funds	(242,665)
Unpaid claims and claim adjustment expenses	<u>1,536,524</u>
Total adjustments	<u>(50,199,091)</u>
Net cash used in operating activities	<u><u>\$ (53,932,955)</u></u>

See accompanying notes to financial statements.

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

June 30, 2012

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 391,283
Cash on hand and in banks	8,526,777
Receivables	6,206,950
Stores inventory	<u>855,804</u>

Total current assets	<u>15,980,814</u>
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Capital assets

Less accumulated depreciation	<u>(3,839,641)</u>
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Total assets	<u>18,423,832</u>
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LIABILITIES

Current liabilities:

Accounts payable	784,055
Due to other funds	<u>3,418,194</u>

Total current liabilities	<u>4,202,249</u>
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NET ASSETS

Invested in capital assets	2,443,018
Restricted	<u>11,778,565</u>

Total net assets	<u><u>\$ 14,221,583</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND

CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES

For the Year Ended June 30, 2012

Operating revenues:	
Federal revenues	\$ 32,090,361
Other state revenues	2,705,346
Other local revenues	<u>1,373,284</u>
Total operating revenues	<u>36,168,991</u>
Operating expenses:	
Classified salaries	10,434,708
Employee benefits	6,329,675
Books and supplies	17,606,821
Contract services	2,789,728
Depreciation	<u>408,683</u>
Total operating expenses	<u>37,569,615</u>
Operating loss	<u>(1,400,624)</u>
Non-operating revenue (expense):	
Interest income	448,040
Interfund transfer out	<u>(1,445,495)</u>
Total non-operating revenue (expense)	<u>(997,455)</u>
Change in net assets	(2,398,079)
Total net assets, July 1, 2011	<u>16,619,662</u>
Total net assets, June 30, 2012	<u><u>\$ 14,221,583</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from food sales	\$ 1,373,284
Cash received from Child Nutrition Programs	33,879,552
Cash paid for operating expenses	<u>(35,793,167)</u>
Net cash used in operating activities	<u>(540,331)</u>
Cash flows used in capital and financing activities:	
Purchase of capital assets	(148,566)
Transfers out	<u>(1,445,495)</u>
Net cash used in capital and financing activities	<u>(1,594,061)</u>
Cash flows provided by investing activities:	
Interest income received	<u>462,939</u>
Decrease in cash and investments	(1,671,453)
Cash and investments, July 1, 2011	<u>10,589,513</u>
Cash and investments, June 30, 2012	<u><u>\$ 8,918,060</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,400,624)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	408,683
(Increase) decrease in:	
Receivables	(987,152)
Amount due from other funds	70,997
Inventory	218,709
Increase in:	
Accounts payable	378,232
Amount due to other funds	<u>770,824</u>
Total adjustments	<u>860,293</u>
Net cash used in operating activities	<u><u>\$ (540,331)</u></u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

ASSETS

Cash on hand and in banks (Note 2)	\$ 1,912,612
Stores inventory	<u>32,595</u>
Total assets	<u>\$ 1,945,207</u>

LIABILITIES

Due to student groups	<u>\$ 1,945,207</u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

In 1978 certain members of the District's Board of Education and District employees formed a nonprofit benefit corporation, known as Fresno Unified School District Financing Corporation ("Corporation"), which is organized under Nonprofit Benefit Corporation Law of the State of California. The purpose of the Corporation is to finance the acquisition and construction of school facilities. The Corporation issued Certificates of Participation (COPs), a form of long-term liabilities, which the District used to finance construction of school facilities.

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition of GASB Codification Section (Cod. Sec.) 2100.101, for inclusion of the Corporation as a component unit of the District. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental organization's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the depended unit should be reported as a part of the other.

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2012, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the COP Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

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 - 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 specified purposes. This classification includes the Adult Education, Child Development and Deferred Maintenance Funds.

3 - Capital Projects Funds:

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

4 - Debt Service Fund:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Proprietary Funds

1 - 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.

2 - Cafeteria Fund:

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

C - Fiduciary Fund Type

1 - Student Body Fund:

The Student Body Fund is a Fiduciary 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.

The District's Cafeteria Fund has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Stores Inventory

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

Cafeteria Food Purchases

The Cafeteria Fund statement of revenues, expenses and change in fund net assets reflects supplies expense of \$17,606,821. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

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

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$2,416,448 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.

Deferred 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 deferred revenue until earned.

Restricted Net Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets as reported in the government-wide, proprietary fund, and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2012, 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, 2012, the District had assigned a portion of the fund balance for the General Fund.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance:

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

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

Fund Balance Policy

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

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

Encumbrances

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets 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.

2. CASH AND INVESTMENTS

Cash at June 30, 2012 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 148,279,964	\$ 19,308,034	\$ 167,587,998	\$ 391,283	\$ -
Cash awaiting deposit	48,468	-	48,468	-	-
Total pooled funds	148,328,432	19,308,034	167,636,466	391,283	-
Deposits:					
Cash on hand and in banks	6,024,002	2,000,000	8,024,002	8,526,777	1,912,612
Cash in revolving fund	83,214	-	83,214	-	-
Total deposits	6,107,216	2,000,000	8,107,216	8,526,777	1,912,612
Total cash and cash equivalents	\$ 154,435,648	\$ 21,308,034	\$ 175,743,682	\$ 8,918,060	\$ 1,912,612

Pooled Funds

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

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

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

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, 2012, 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. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$18,431,591 and the bank balance was \$18,181,482. \$2,214,799 of the bank balance was FDIC insured and \$15,966,683 remained uninsured.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2012, the carrying amount of the District's accounts was \$115,014 and the bank balance was \$141,019, all of which was insured.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2012 were as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 31	\$ 64,546,436
Building	1,927,916	15,502,075
County School Facilities	14,982,376	-
Non-Major Funds:		
Adult Education	184,787	706,168
Child Development	-	558,550
Deferred Maintenance	-	39,965
Capital Facilities	4,521,920	-
Special Reserve for Capital Outlay	5,079,741	-
Proprietary Fund:		
Self-Insurance	58,074,617	-
<u>Business-Type Activities</u>		
Cafeteria Fund	-	3,418,194
Totals	<u>\$ 84,771,388</u>	<u>\$ 84,771,388</u>

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2011-12 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 76,718,202
Transfer from the General Fund to the Self-Insurance Fund to contribute one time resources.	8,750,000
Transfer from the Special Reserve for Capital Outlay Fund to the County School Facilities Fund to contribute to the local share by project.	3,643,391
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation received in the General Fund.	3,356,409
Transfer from the Building Fund to the General Fund to contribute to restricted routine maintenance.	3,356,409
Transfer from the General Fund to the Adult Education Fund to support Adult Education as flexibility has been provided by the State.	2,367,145
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,445,495
Transfer from the Tax Override Fund to the COP Debt Service Fund for payments due.	1,143,175
Transfer from the Building Fund to the Adult Education Fund to support Adult Education as flexibility has been provided by the State.	500,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	270,996
Transfer from the Special Reserve for Capital Outlay Fund to the Tax Override Fund to contribute to the fund.	221,049
Transfer from the County School Facilities Fund to the Special Reserve for Capital Outlay Fund to reimburse the fund.	71,328
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	26,741
Transfer from the Adult Education Fund to the General Fund for indirect costs.	<u>6,271</u>
	<u>\$101,876,611</u>

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

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2012 is shown below:

	Balance July 1, <u>2011</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2012</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 46,092,417	\$ -	\$ -	\$ 46,092,417
Work-in-process	81,537,719	89,284,823	(14,501,626)	156,320,916
Depreciable:				
Land improvements	47,101,118	8,994,313	-	56,095,431
Buildings	581,632,188	5,507,313	(1,526,420)	585,613,081
Equipment	<u>33,216,844</u>	<u>2,419,121</u>	<u>(6,083,351)</u>	<u>29,552,614</u>
Totals, at cost	<u>789,580,286</u>	<u>106,205,570</u>	<u>(22,111,397)</u>	<u>873,674,459</u>
Less accumulated depreciation:				
Land improvements	(21,064,154)	(2,082,836)	-	(23,146,990)
Buildings	(217,489,836)	(13,469,364)	(1,526,420)	(229,432,780)
Equipment	<u>(22,693,740)</u>	<u>(1,669,607)</u>	<u>(6,083,351)</u>	<u>(18,279,996)</u>
Total accumulated depreciation	<u>(261,247,730)</u>	<u>(17,221,807)</u>	<u>(7,609,771)</u>	<u>(270,859,766)</u>
Governmental activities capital assets, net	<u>\$ 528,332,556</u>	<u>\$ 88,983,763</u>	<u>\$ (14,501,626)</u>	<u>\$ 602,814,693</u>
<u>Business-Type Activities</u>				
Equipment	\$ 7,033,219	\$ 148,566	\$ (899,126)	\$ 6,282,659
Less accumulated depreciation	<u>(4,330,084)</u>	<u>(408,683)</u>	<u>(899,126)</u>	<u>(3,839,641)</u>
Business-Type activities capital assets, net	<u>\$ 2,703,135</u>	<u>\$ (260,117)</u>	<u>\$ -</u>	<u>\$ 2,443,018</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2012 as follows:

Governmental activities:	
Unallocated	<u>\$ (17,221,807)</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ (408,683)</u>

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

5. SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2012, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of \$741,158 is based on an actuarial estimate as of June 30, 2011, discounted at 1%. The workers' compensation claims liability of \$31,737,209 is based on an actuarial estimate as of June 30, 2011, discounted at 2%. The health claims liability of \$16,808,612 is based on an actuarial estimate as of June 30, 2012, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the years ended June 30, 2012 and 2011 were as follows:

	Property and <u>Liability</u>	Workers' Compen- <u>sation</u>	<u>Health</u>	<u>Total</u>
Claims liability at June 30, 2010	\$ 964,000	\$ 32,423,752	\$ 14,572,707	\$ 47,960,459
Incurred claims	4,314,642	3,414,351	131,546,840	139,275,833
Paid claims	<u>(4,365,147)</u>	<u>(4,854,974)</u>	<u>(130,265,716)</u>	<u>(139,485,837)</u>
Claims liability at June 30, 2011	<u>913,495</u>	<u>30,983,129</u>	<u>15,853,831</u>	<u>47,750,455</u>
Incurred claims	651,630	7,384,769	114,330,862	122,367,261
Paid claims	<u>(823,967)</u>	<u>(6,630,689)</u>	<u>(113,376,081)</u>	<u>(120,830,737)</u>
Claims liability at June 30, 2012	<u>\$ 741,158</u>	<u>\$ 31,737,209</u>	<u>\$ 16,808,612</u>	<u>\$ 49,286,979</u>

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

6. LONG-TERM LIABILITIES

General Obligation Bonds

Issue	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2011	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2012
1998 Series A	4.8 - 6.15%	1998	2021	\$ 33,235,000	\$ 19,305,000	\$ -	\$ 1,545,000	\$ 17,760,000
1998 Refunding Series B								
Current Interest	5.5 - 6.95%	1998	2017	26,998,742	10,770,000	-	1,600,000	9,170,000
1999 Refunding Series B								
Capital Appreciation	5.5 - 6.95%	1998	2022	-	2,903,742	-	-	2,903,742
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	26,430,000	-	1,635,000	24,795,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	55,805,000	-	2,595,000	53,210,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	45,275,000	-	2,000,000	43,275,000
2004 Series A	2.0 - 4.25%	2004	2021	10,645,000	7,010,000	-	580,000	6,430,000
2001 Series D	4.125 - 5.0%	2005	2031	31,000,000	16,905,000	-	885,000	16,020,000
2001 Series E	4.0 - 5.0%	2007	2031	35,000,000	31,490,000	-	965,000	30,505,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	8,775,000	-	360,000	8,415,000
2001 Series F	5.48%	2009	2026	29,429,022	27,613,382	-	530,756	27,082,626
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	12,040,000	-	265,000	11,775,000
2010 Measure Q Series A	4.726 - 5.876%	2011	2030	29,561,373	-	29,561,373	700,000	28,861,373
2011 Qualified School Construction Bonds								
2001 Measure K Series G	5.39 - 11.814%	2011	2042	39,770,000	-	39,770,000	39,770,000	-
2010 Measure Q Series B	2.0 - 5.25%	2011	2042	55,570,915	-	55,570,915	-	55,570,915
				<u>50,434,849</u>	<u>-</u>	<u>50,434,849</u>	<u>-</u>	<u>50,434,849</u>
				\$ 527,004,901	\$ 264,322,124	\$ 175,337,137	\$ 53,450,756	\$ 386,208,505

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,660,000	\$ 1,107,980	\$ 2,767,980
2014	1,765,000	1,003,095	2,768,095
2015	1,885,000	887,820	2,772,820
2016	2,015,000	763,180	2,778,180
2017	2,150,000	630,060	2,780,060
2018-2021	<u>8,285,000</u>	<u>1,008,537</u>	<u>9,293,537</u>
	<u>\$ 17,760,000</u>	<u>\$ 5,400,672</u>	<u>\$ 23,160,672</u>

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,715,000	\$ 569,185	\$ 2,284,185
2014	1,845,000	451,918	2,296,918
2015	1,970,000	327,035	2,297,035
2016	2,105,000	193,710	2,298,710
2017	<u>1,535,000</u>	<u>50,655</u>	<u>1,585,655</u>
	<u>\$ 9,170,000</u>	<u>\$ 1,592,503</u>	<u>\$ 10,762,503</u>

The annual payments required to amortize the 1998 Refunding, Series B, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 208,735	\$ 516,265	\$ 725,000
2018-2022	<u>2,695,007</u>	<u>8,504,993</u>	<u>11,200,000</u>
	<u>\$ 2,903,742</u>	<u>\$ 9,021,258</u>	<u>\$ 11,925,000</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,775,000	\$ 1,442,850	\$ 3,217,850
2014	1,895,000	1,338,740	3,233,740
2015	2,045,000	1,227,960	3,272,960
2016	2,185,000	1,107,900	3,292,900
2017	2,315,000	980,155	3,295,155
2018-2022	13,760,000	2,670,782	16,430,782
2023	<u>820,000</u>	<u>24,190</u>	<u>844,190</u>
	<u>\$ 24,795,000</u>	<u>\$ 8,792,577</u>	<u>\$ 33,587,577</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,635,000	\$ 3,140,436	\$ 5,775,436
2014	2,530,000	3,007,338	5,537,338
2015	2,930,000	2,866,215	5,796,215
2016	3,135,000	2,698,500	5,833,500
2017	3,350,000	2,510,100	5,860,100
2018-2022	20,300,000	9,255,600	29,555,600
2023-2027	<u>18,330,000</u>	<u>2,524,200</u>	<u>20,854,200</u>
	<u>\$ 53,210,000</u>	<u>\$ 26,002,389</u>	<u>\$ 79,212,389</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,095,000	\$ 2,137,183	\$ 4,232,183
2014	2,190,000	2,049,938	4,239,938
2015	2,290,000	1,956,450	4,246,450
2016	2,420,000	1,854,166	4,274,166
2017	2,540,000	1,742,176	4,282,176
2018-2022	14,845,000	6,662,880	21,507,880
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>\$ 43,275,000</u>	<u>\$ 18,896,468</u>	<u>\$ 62,171,468</u>

The annual payments required to amortize the 2004, Series A, Current Interest General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 605,000	\$ 249,112	\$ 854,112
2014	630,000	224,412	854,412
2015	655,000	198,712	853,712
2016	685,000	171,912	856,912
2017	715,000	143,912	858,912
2018-2021	<u>3,140,000</u>	<u>267,098</u>	<u>3,407,098</u>
	<u>\$ 6,430,000</u>	<u>\$ 1,255,158</u>	<u>\$ 7,685,158</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In October 2010, the District issued 2010 General Obligation Refunding Bonds to refund on an advance basis the 2001, Series D Bonds in the amount of \$10,930,000. The amortization schedule has been adjusted for the advance payment. The annual payments required to amortize the 2005, Series 2001D, General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 925,000	\$ 716,131	\$ 1,641,131
2014	965,000	668,881	1,633,881
2015	-	644,756	644,756
2016	-	644,756	644,756
2017	-	644,756	644,756
2018-2022	-	3,223,784	3,223,784
2023-2027	6,455,000	2,671,680	9,126,680
2028-2031	<u>7,675,000</u>	<u>694,797</u>	<u>8,369,797</u>
	<u>\$ 16,020,000</u>	<u>\$ 9,909,541</u>	<u>\$ 25,929,541</u>

The annual payments required to amortize the 2007, Series E, General Obligation Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,030,000	\$ 1,395,587	\$ 2,425,587
2014	1,080,000	1,353,387	2,433,387
2015	1,130,000	1,309,187	2,439,187
2016	1,180,000	1,262,987	2,442,987
2017	1,235,000	1,214,687	2,449,687
2018-2022	7,110,000	5,237,894	12,347,894
2023-2027	8,950,000	3,357,500	12,307,500
2028-2031	<u>8,790,000</u>	<u>904,000</u>	<u>9,694,000</u>
	<u>\$ 30,505,000</u>	<u>\$ 16,035,229</u>	<u>\$ 46,540,229</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2007, Refunding 1995 Series B, General Obligation Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 370,000	\$ 342,525	\$ 712,525
2014	390,000	326,400	716,400
2015	405,000	310,500	715,500
2016	420,000	294,000	714,000
2017	445,000	276,700	721,700
2018-2022	2,510,000	1,093,869	3,603,869
2023-2027	3,170,000	504,890	3,674,890
2028	<u>705,000</u>	<u>15,421</u>	<u>720,421</u>
	<u>\$ 8,415,000</u>	<u>\$ 3,164,305</u>	<u>\$ 11,579,305</u>

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 566,754	\$ 1,469,135	\$ 2,035,889
2014	1,144,729	1,422,223	2,566,952
2015	1,419,412	1,351,940	2,771,352
2016	1,497,222	1,271,995	2,769,217
2017	1,750,295	1,182,980	2,933,275
2018-2022	10,274,997	4,326,047	14,601,044
2023-2026	<u>10,429,217</u>	<u>1,182,721</u>	<u>11,611,938</u>
	<u>\$ 27,082,626</u>	<u>\$ 12,207,041</u>	<u>\$ 39,289,667</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a premium of \$789,371 which will be amortized over 20 years. The annual payments required to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 165,000	\$ 376,850	\$ 541,850
2014	170,000	373,500	543,500
2015	1,180,000	354,100	1,534,100
2016	1,210,000	318,250	1,528,250
2017	1,245,000	281,425	1,526,425
2018-2022	6,740,000	798,675	7,538,675
2023	<u>1,065,000</u>	<u>21,300</u>	<u>1,086,300</u>
	<u>\$ 11,775,000</u>	<u>\$ 2,524,100</u>	<u>\$ 14,299,100</u>

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 1,154,455	\$ 1,154,455
2014	-	1,154,455	1,154,455
2015	-	1,154,455	1,154,455
2016	-	1,154,455	1,154,455
2017	-	1,154,455	1,154,455
2018-2022	-	5,772,275	5,772,275
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>\$ 16,813,210</u>	<u>\$ 45,674,583</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2022	\$ 48,704	\$ 438,793	\$ 487,497
2023-2027	4,456,991	8,396,906	12,853,897
2028-2032	16,703,020	41,638,372	58,341,392
2033-2037	18,709,635	72,267,386	90,977,021
2038-2042	<u>15,652,565</u>	<u>82,145,819</u>	<u>97,798,384</u>
	<u>\$ 55,570,915</u>	<u>\$204,887,276</u>	<u>\$260,458,191</u>

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,855,000	\$ 915,000	\$ 5,770,000
2014	2,290,000	843,550	3,133,550
2015	-	820,650	820,650
2016	-	820,650	820,650
2017	-	820,650	820,650
2018-2022	7,980,000	3,640,250	11,620,250
2023-2025	<u>9,695,000</u>	<u>786,488</u>	<u>10,481,488</u>
	<u>\$ 24,820,000</u>	<u>\$ 8,647,238</u>	<u>\$ 33,467,238</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2027	\$ 3,144,116	\$ 4,385,884	\$ 7,530,000
2028-2032	7,776,818	17,718,182	25,495,000
2033-2037	7,997,530	30,065,353	38,062,883
2038-2042	<u>6,696,385</u>	<u>38,653,774</u>	<u>45,350,159</u>
	<u>\$ 25,614,849</u>	<u>\$ 90,823,193</u>	<u>\$116,438,042</u>

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

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

<u>Issue</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2012</u>
1998A Refunding COPs	4.00 - 4.75%	1998	\$ 51,930,000	\$ 5,035,000	\$ -	\$ 5,035,000	\$ -
2001 Refunding COPs	4.00 - 4.40%	2001	10,655,000	2,070,000	-	2,070,000	-
2003 Refunding COPs	2.00 - 3.50%	2003	<u>10,380,000</u>	<u>1,420,000</u>	-	<u>1,420,000</u>	-
			<u>\$ 72,965,000</u>	<u>\$ 8,525,000</u>	<u>\$ -</u>	<u>\$ 8,525,000</u>	<u>\$ -</u>

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

6. LONG-TERM LIABILITIES (Continued)

Other Leases

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

Qualified Zone Academy Bonds

During 1999 and 2000, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology (CART) totaling \$12,000,000 and \$7,200,000, respectively. The bonds do not bear interest and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

Lease payments will be made by both districts for an equal share of the funds necessary to repay the principal of the bonds. The Fresno Unified School District's share of the principal amounts to \$6,000,000 and \$3,600,000 with annual required lease payments totaling \$307,633 and \$170,425, respectively. The lease payments are to be placed in a Guaranteed Investment Contract paying interest at 4.785% and 6.730%. Principal payments and earned interest are projected to be sufficient to retire the bonds' principal balance by October 1, 2012 and October 31, 2013.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Annual</u> <u>Payments</u>
2013	\$ 942,906
2014	<u>227,003</u>
Total payments remaining	<u>\$ 1,169,909</u>

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

6. LONG-TERM LIABILITIES (Continued)

Public Agency Retirement System

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

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2013	\$ 7,776,792
2014	7,776,792
2015	7,776,793
2016	<u>7,776,793</u>
Total payments remaining	<u>\$ 31,107,170</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2012 is shown below:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 264,322,124	\$ 175,337,137	\$ 53,450,756	\$ 386,208,505	\$ 18,396,754
Unamortized premiums	749,902	712,613	75,099	1,387,416	75,099
Accreted interest	3,884,923	2,162,506	-	6,047,429	-
Certificates of Participation	8,525,000	-	8,525,000	-	-
QZABs	2,063,283	-	893,374	1,169,909	942,906
PARS	38,883,962	-	7,776,792	31,107,170	7,776,792
Other postemployment benefits (Note 9)	172,467,081	87,800,894	33,789,733	226,478,242	-
Compensated absences	<u>2,833,559</u>	<u>-</u>	<u>417,111</u>	<u>2,416,448</u>	<u>2,416,448</u>
Totals	<u>\$ 493,729,834</u>	<u>\$ 266,013,150</u>	<u>\$ 104,927,865</u>	<u>\$ 654,815,119</u>	<u>\$ 29,607,999</u>

Payments on the General Obligation Bonds are made from the Bond Interest Redemption Fund. Payments on the Certificates of Participation are made from the COP Debt Service Fund. Payments on the QZABs are made from the General Fund. Payments on the PARS are made from the General Fund. Payments on the compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

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

7. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2012:

	<u>Governmental Activities</u>
Unspent categorical program revenues	\$ 7,127,607
Special revenues	2,707,300
Capital projects	107,904,251
Debt service	23,896,230
Self-insurance	<u>30,543,004</u>
	<u>\$172,178,392</u>
	<u>Business-Type Activities</u>
Food service operations	<u>\$ 11,778,565</u>

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

7. NET ASSETS / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2012 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 83,214	-	-	-	\$ 83,214
Stores inventory	1,544,925	-	-	31,127	1,576,052
Prepaid expenditures	<u>39,637</u>	-	-	-	<u>39,637</u>
Subtotal nonspendable	<u>1,667,776</u>	-	-	<u>31,127</u>	<u>1,698,903</u>
Restricted:					
Unspent categorical revenues	7,127,607	-	-	-	7,127,607
Adult education	-	-	-	136,015	136,015
Child development	-	-	-	123,743	123,743
Deferred maintenance	-	-	-	2,416,415	2,416,415
Capital projects	-	68,782,770	26,129,421	12,992,060	107,904,251
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,896,230</u>	<u>23,896,230</u>
Subtotal restricted	<u>7,127,607</u>	<u>68,782,770</u>	<u>26,129,421</u>	<u>39,564,463</u>	<u>141,604,261</u>
Assigned:					
Health contribution	2,750,000	-	-	-	2,750,000
2011/12 one time expenditures	6,315,796	-	-	-	6,315,796
Other board assignments	<u>877,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,429</u>
Subtotal assigned	<u>9,943,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,943,225</u>
Unassigned:					
Designated for economic uncertainty	<u>63,136,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,136,220</u>
Total fund balances	<u>\$ 81,874,828</u>	<u>\$ 68,782,770</u>	<u>\$ 26,129,421</u>	<u>\$ 39,595,590</u>	<u>\$ 216,382,609</u>

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

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$9,083,744, \$9,361,116 and \$9,286,647, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$27,068,040, \$25,623,814 and \$23,631,146, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

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

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

Annual required contribution	\$ 79,177,540
Interest on net OPEB obligation	8,623,354
Adjustment to annual required contribution	<u> -</u>
Annual OPEB cost (expense)	87,800,894
Contributions made	<u>(33,789,733)</u>
Increase in net OPEB obligation	54,011,161
Net OPEB obligation - beginning of year	<u>172,467,081</u>
Net OPEB obligation - end of year	<u><u>\$226,478,242</u></u>

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 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, 2010	\$ 78,074,592	44.8%	\$ 116,374,627
June 30, 2011	\$ 84,996,271	34.0%	\$ 172,467,081
June 30, 2012	\$ 87,800,894	38.5%	\$ 226,478,242

As of July 1, 2009, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was \$981 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$385 million, and the ratio of the UAAL to the covered payroll was 255 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, presented above, 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, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 2 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

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

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2011 (the most recent information available):

Total assets	\$ 85,248,457
Total liabilities	\$ 84,219,615
Net assets	\$ 1,028,842
Total revenues	\$ 3,325,867
Total expenses	\$ 2,757,638
Change in net assets	\$ 568,229

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

11. CONTINGENCIES

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.

12. FINANCIAL RESPONSIBILITY

The District has maintained a balanced approach to addressing the reduced State funding over the past three years. The District has strategically made \$130 million in budget adjustments, utilized federal economic stimulus funds, and renegotiated costly lifetime health benefits for employees. This has enabled the District to increase reserves and 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 the District and labor partners with the primary objective of maintaining a positive reserve in the Health Fund while retaining affordable health care.

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

12. FINANCIAL RESPONSIBILITY (Continued)

The District continues to maintain a positive reserve in the current and future years as shown in the 2012/13 adopted budget and includes a conservative reserve to plan for possible mid-year State triggers. The District has maintained a positive financial position since 2006/07 as reflected by Moody's credit rating of Aa3 issued in August 2012 at a time when other State agencies have been lowered.

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

13. SUBSEQUENT EVENTS

In August 2012, the District issued 2012 General Obligation Refunding Bonds, Series A totaling \$39,895,000. The Series A bonds will bear an interest rate ranging from 1.0% to 5.0% and mature through August 1, 2030.

In August 2012, the District issued 2012 General Obligation Refunding Bonds, Series B totaling \$32,390,000. The Series B bonds will bear an interest rate ranging from .805% to 4.5% and mature through August 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 270,931,487	\$ 311,577,489	\$ 312,611,389	\$ 1,033,900
Local sources	<u>41,546,166</u>	<u>43,265,052</u>	<u>40,823,013</u>	<u>(2,442,039)</u>
Total revenue limit	<u>312,477,653</u>	<u>354,842,541</u>	<u>353,434,402</u>	<u>(1,408,139)</u>
Federal sources	111,651,463	126,913,629	107,172,157	(19,741,472)
Other state sources	147,392,674	154,015,941	157,846,175	3,830,234
Other local sources	<u>12,724,770</u>	<u>17,779,448</u>	<u>14,491,094</u>	<u>(3,288,354)</u>
Total revenues	<u>584,246,560</u>	<u>653,551,559</u>	<u>632,943,828</u>	<u>(20,607,731)</u>
Expenditures:				
Certificated salaries	284,185,767	291,645,475	288,643,007	3,002,468
Classified salaries	86,436,256	87,737,259	87,737,259	-
Employee benefits	142,514,266	144,776,465	144,776,465	-
Books and supplies	41,171,639	50,155,232	25,811,763	24,343,469
Contract services and operating expenditures	54,891,017	58,765,793	53,401,021	5,364,772
Capital outlay	527,059	2,938,883	2,091,407	847,476
Other outgo	864,823	3,113,214	3,179,656	(66,442)
Debt service:				
Principal retirement	<u>544,498</u>	<u>544,498</u>	<u>893,374</u>	<u>(348,876)</u>
Total expenditures	<u>611,135,325</u>	<u>639,676,819</u>	<u>606,533,952</u>	<u>33,142,867</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(26,888,765)</u>	<u>13,874,740</u>	<u>26,409,876</u>	<u>12,535,136</u>
Other financing sources (uses):				
Operating transfers in	5,105,518	5,171,162	5,105,912	(65,250)
Operating transfers out	<u>(6,473,554)</u>	<u>(14,473,554)</u>	<u>(14,473,554)</u>	<u>-</u>
Total other financing uses	<u>(1,368,036)</u>	<u>(9,302,392)</u>	<u>(9,367,642)</u>	<u>(65,250)</u>
Net change in fund balance	(28,256,801)	4,572,348	17,042,234	12,469,886
Fund balance, July 1, 2011	<u>64,832,594</u>	<u>64,832,594</u>	<u>64,832,594</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 36,575,793</u>	<u>\$ 69,404,942</u>	<u>\$ 81,874,828</u>	<u>\$ 12,469,886</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, 2012

Schedule of Funding Progress							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/08	July 1, 2007	\$ -	\$ 758,000,000	\$ 758,000,000	0%	\$ 437,000,000	173%
6/30/09	July 1, 2007	\$ -	\$ 758,000,000	\$ 758,000,000	0%	\$ 437,000,000	173%
6/30/10	July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 444,000,000	220%
6/30/11	July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 426,000,000	230%
6/30/12	July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 385,000,000	255%

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2012

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
ASSETS									
Cash in County Treasury	\$ 42,576	\$ 136,158	\$ 2,768,224	\$ 1,333,235	\$ 2,050,943	\$ 23,828,415	\$ -	\$ -	\$ 30,169,551
Cash on hand and in banks	2,639	-	-	-	-	-	-	-	2,639
Cash awaiting deposit	-	-	-	48,468	-	-	-	-	48,468
Receivables	676,519	858,467	799	15,365	22,424	67,815	-	-	1,641,389
Due from other funds	184,787	-	-	4,521,920	5,079,741	-	-	-	9,786,448
Inventory	31,127	-	-	-	-	-	-	-	31,127
Total assets	\$ 937,648	\$ 994,625	\$ 2,769,023	\$ 5,918,988	\$ 7,153,108	\$ 23,896,230	\$ -	\$ -	\$ 41,669,622
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 64,338	\$ 72,281	\$ 312,643	\$ 79,723	\$ 313	\$ -	\$ -	\$ -	\$ 529,298
Due to other funds	706,168	558,550	39,965	-	-	-	-	-	1,304,683
Deferred revenue	-	240,051	-	-	-	-	-	-	240,051
Total liabilities	770,506	870,882	352,608	79,723	313	-	-	-	2,074,032
Fund balances:									
Nonspendable	31,127	-	-	-	-	-	-	-	31,127
Restricted	136,015	123,743	2,416,415	5,839,265	7,152,795	23,896,230	-	-	39,564,463
Total fund balance	167,142	123,743	2,416,415	5,839,265	7,152,795	23,896,230	-	-	39,595,590
Total liabilities and fund balances	\$ 937,648	\$ 994,625	\$ 2,769,023	\$ 5,918,988	\$ 7,153,108	\$ 23,896,230	\$ -	\$ -	\$ 41,669,622

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

ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2012

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
Revenues:									
Federal sources	\$ 1,045,102	\$ 222,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,267,487
Other state sources	359,249	6,934,700	-	-	-	383,939	138,287	-	7,816,175
Other local sources	<u>635,183</u>	<u>36,679</u>	<u>7,336</u>	<u>1,035,470</u>	<u>707,908</u>	<u>35,962,926</u>	<u>783,839</u>	<u>294,146</u>	<u>39,463,487</u>
Total revenues	<u>2,039,534</u>	<u>7,193,764</u>	<u>7,336</u>	<u>1,035,470</u>	<u>707,908</u>	<u>36,346,865</u>	<u>922,126</u>	<u>294,146</u>	<u>48,547,149</u>
Expenditures:									
Certificated salaries	2,139,518	3,188,255	-	-	-	-	-	-	5,327,773
Classified salaries	1,245,440	1,645,133	-	-	78,834	-	-	-	2,969,407
Employee benefits	1,359,638	1,598,068	-	-	31,042	-	-	-	2,988,748
Books and supplies	311,790	166,881	265,543	-	-	-	-	-	744,214
Contract services and operating expenditures	948,083	383,745	3,854,479	139,582	40,690	-	-	-	5,366,579
Capital outlay	-	-	-	7,699,470	-	-	-	-	7,699,470
Debt service:									
Principal retirement	-	-	-	-	-	13,680,756	-	8,525,000	22,205,756
Interest	-	-	-	-	-	14,309,721	-	379,942	14,689,663
Total expenditures	<u>6,004,469</u>	<u>6,982,082</u>	<u>4,120,022</u>	<u>7,839,052</u>	<u>150,566</u>	<u>27,990,477</u>	<u>-</u>	<u>8,904,942</u>	<u>61,991,610</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(3,964,935)</u>	<u>211,682</u>	<u>(4,112,686)</u>	<u>(6,803,582)</u>	<u>557,342</u>	<u>8,356,388</u>	<u>922,126</u>	<u>(8,610,796)</u>	<u>(13,444,461)</u>
Other financing sources (uses):									
Operating transfers in	2,867,145	-	3,356,409	-	71,328	-	221,049	1,143,175	7,659,106
Operating transfers out	<u>(6,271)</u>	<u>(270,996)</u>	<u>-</u>	<u>(26,741)</u>	<u>(3,864,440)</u>	<u>-</u>	<u>(1,143,175)</u>	<u>-</u>	<u>(5,311,623)</u>
Total other financing sources (uses)	<u>2,860,874</u>	<u>(270,996)</u>	<u>3,356,409</u>	<u>(26,741)</u>	<u>(3,793,112)</u>	<u>-</u>	<u>(922,126)</u>	<u>1,143,175</u>	<u>2,347,483</u>
Net change in fund balances	<u>(1,104,061)</u>	<u>(59,314)</u>	<u>(756,277)</u>	<u>(6,830,323)</u>	<u>(3,235,770)</u>	<u>8,356,388</u>	<u>-</u>	<u>(7,467,621)</u>	<u>(11,096,978)</u>
Fund balances, July 1, 2011	<u>1,271,203</u>	<u>183,057</u>	<u>3,172,692</u>	<u>12,669,588</u>	<u>10,388,565</u>	<u>15,539,842</u>	<u>-</u>	<u>7,467,621</u>	<u>50,692,568</u>
Fund balances, June 30, 2012	<u>\$ 167,142</u>	<u>\$ 123,743</u>	<u>\$ 2,416,415</u>	<u>\$ 5,839,265</u>	<u>\$ 7,152,795</u>	<u>\$ 23,896,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,595,590</u>

FRESNO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 485,317	\$ 2,173,698	\$ 2,231,350	\$ 427,665
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 485,317</u>	<u>\$ 2,173,698</u>	<u>\$ 2,231,350</u>	<u>\$ 427,665</u>
Liabilities:				
Due to student groups	<u>\$ 485,317</u>	<u>\$ 2,173,698</u>	<u>\$ 2,231,350</u>	<u>\$ 427,665</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 268,062	\$ 960,123	\$ 975,156	\$ 253,029
Stores inventory	<u>13,697</u>	<u>-</u>	<u>-</u>	<u>13,697</u>
Total assets	<u>\$ 281,759</u>	<u>\$ 960,123</u>	<u>\$ 975,156</u>	<u>\$ 266,726</u>
Liabilities:				
Due to student groups	<u>\$ 281,759</u>	<u>\$ 960,123</u>	<u>\$ 975,156</u>	<u>\$ 266,726</u>
<u>Special Programs</u>				
Assets:				
Cash on hand and in banks	\$ 7,737	\$ 1,175	\$ 1,442	\$ 7,470
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,737</u>	<u>\$ 1,175</u>	<u>\$ 1,442</u>	<u>\$ 7,470</u>
Liabilities:				
Due to student groups	<u>\$ 7,737</u>	<u>\$ 1,175</u>	<u>\$ 1,442</u>	<u>\$ 7,470</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,248,344	\$ 3,188,341	\$ 3,212,237	\$ 1,224,448
Stores inventory	<u>18,898</u>	<u>-</u>	<u>-</u>	<u>18,898</u>
Total assets	<u>\$ 1,267,242</u>	<u>\$ 3,188,341</u>	<u>\$ 3,212,237</u>	<u>\$ 1,243,346</u>
Liabilities:				
Due to student groups	<u>\$ 1,267,242</u>	<u>\$ 3,188,341</u>	<u>\$ 3,212,237</u>	<u>\$ 1,243,346</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 2,009,460	\$ 6,323,337	\$ 6,420,185	\$ 1,912,612
Stores inventory	<u>32,595</u>	<u>-</u>	<u>-</u>	<u>32,595</u>
Total assets	<u>\$ 2,042,055</u>	<u>\$ 6,323,337</u>	<u>\$ 6,420,185</u>	<u>\$ 1,945,207</u>
Liabilities:				
Due to student groups	<u>\$ 2,042,055</u>	<u>\$ 6,323,337</u>	<u>\$ 6,420,185</u>	<u>\$ 1,945,207</u>

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

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, 2012 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Valerie F. Davis	President	2014
Lindsay Cal Johnson	Clerk	2014
Michelle A. Asadoorian	Member	2014
Janet Ryan	Member	2012
Carol Mills, J.D.	Member	2012
Larry A. Moore	Member	2012
Tony Vang, Ed.D.	Member	2014

The Superintendent's Executive Staff at June 30, 2012 was comprised of the following:

Michael E. Hanson
Superintendent

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

Kim Mecum
Associate Superintendent, Human Resources /
Labor Relations

Michael Neece
Chief Academic Officer, School Leadership

Jorge Aguilar
Associate Superintendent,
Equity and Access, REA and Acct

Babatunde Ilori
Chief of Staff

Kurt Madden
Chief Technology Officer

Jamilah Frasier
Chief Information Officer
Communications Office

Karin Temple
Assistant Superintendent,
Operational Services

Misty Her
Assistant Superintendent,
School Leadership K-6

Holland Locker
Assistant Superintendent,
School Leadership, K-6

Katie Russell
Assistant Superintendent,
School Leadership, K-6

Rosario Sanchez
Assistant Superintendent,
School Leadership, K-6

Julie Severns
Assistant Superintendent,
School Leadership, K-8

Steve Martinez
Assistant Superintendent,
School Leadership, 7-8

Maria Maldonado
Assistant Superintendent,
English Learner Services

Brian Wall
Assistant Superintendent,
School Leadership, 9-12

Cheryl Hunt
Assistant Superintendent, Special Education
& Health Services

Jacquie Canfield
Executive Officer, Fiscal Services

Kim Keistrom
Director, Fiscal Services

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2012

	Original Second Period <u>Report</u>	Audited Second Period <u>Report*</u>	Annual <u>Report</u>
Elementary:			
Kindergarten	5,677	5,681	5,683
First through Third	16,439	16,444	16,387
Fourth through Eighth	24,467	24,471	24,324
Special Education	1,452	1,454	1,457
Community Day School	74	74	83
Home and Hospital	6	6	9
Non Public Schools	<u>1</u>	<u>1</u>	<u>1</u>
Subtotal Elementary	<u>48,116</u>	<u>48,131</u>	<u>47,944</u>
Secondary:			
Regular Classes	16,759	16,759	16,377
Special Education	783	783	771
Community Day School	11	11	11
Compulsory Continuation Education	654	654	620
Home and Hospital	4	4	4
Non Public Schools	<u>8</u>	<u>8</u>	<u>8</u>
Subtotal Secondary	<u>18,219</u>	<u>18,219</u>	<u>17,791</u>
Sunset Charter School - Classroom-based:			
Kindergarten	52	52	51
First through Third	107	107	107
Fourth through Eighth	<u>70</u>	<u>70</u>	<u>70</u>
Subtotal Charter School	<u>229</u>	<u>229</u>	<u>228</u>
District Total	<u><u>66,564</u></u>	<u><u>66,579</u></u>	<u><u>65,963</u></u>

* Reflects the adjustment for disallowance of 5.35 ADA as noted in the Accompanying Schedule of Audit Findings and Questioned Costs and other adjustments made by the District subsequent to the submission of the original Second Period Report of Attendance.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2012

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
District:					
Kindergarten	36,000	31,680	36,000	180	In Compliance
Grade 1	50,400	43,095	54,880	180	In Compliance
Grade 2	50,400	43,095	54,880	180	In Compliance
Grade 3	50,400	43,095	54,880	180	In Compliance
Grade 4	54,000	54,000	54,880	180	In Compliance
Grade 5	54,000	54,000	54,880	180	In Compliance
Grade 6	54,000	54,000	54,880	180	In Compliance
Grade 7	54,000	54,000	59,165	180	In Compliance
Grade 8	54,000	54,000	59,165	180	In Compliance
Grade 9	64,800	54,560	64,893	180	In Compliance
Grade 10	64,800	54,560	64,893	180	In Compliance
Grade 11	64,800	54,560	64,893	180	In Compliance
Grade 12	64,800	54,560	64,893	180	In Compliance
Sunset Charter School:					
Kindergarten	36,000	N/A	46,745	180	In Compliance
Grade 1	50,400	N/A	55,400	180	In Compliance
Grade 2	50,400	N/A	55,400	180	In Compliance
Grade 3	50,400	N/A	55,400	180	In Compliance
Grade 4	54,000	N/A	55,400	180	In Compliance
Grade 5	54,000	N/A	55,400	180	In Compliance
Grade 6	54,000	N/A	55,400	180	In Compliance
Grade 7	54,000	N/A	55,400	180	In Compliance
Grade 8	54,000	N/A	55,400	180	In Compliance

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
NCLB: Title I Cluster:			
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 63,371,395
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	54,246
84.389	ARRA: NCLB: Title I, Part A, Basic Grants Low Income and Neglected	15005	<u>9,764</u>
	Subtotal NCLB: Title I Cluster		<u>63,435,405</u>
Special Education Cluster:			
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,823,516
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	632,408
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	308,850
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	4,271
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	<u>650,585</u>
	Subtotal Special Education Cluster		<u>15,419,630</u>
Educational Technology State Grants Cluster:			
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	192,185
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	2,267
84.386	ARRA: NCLB: Title II, Part D, Enhancing Education Through Technology, Competitive Grants (EETT)	15126	<u>238,583</u>
	Subtotal Educational Technology State Grants Cluster		<u>433,035</u>
Title I, School Improvement Grant Cluster:			
84.377	NCLB: Title I, School Improvement Grant	15127	644,215
84.388	ARRA: NCLB: Title I, School Improvement Grant (SIG)	15020	<u>2,428,278</u>
	Subtotal Title I, School Improvement Grant Cluster		<u>3,072,493</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.357	NCLB: Title I, Part B, Reading First, Special Education Teacher Professional Development Pilot Program	14911	\$ 156,121
84.330	NCLB: Title I, Part G: Advanced Placement Test Fee Reimbursement Program	14831	201,140
84.330	Advanced Placement Incentive Program	-	465,473
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	1,184,998
84.011	NCLB: Title I, Migrant Ed Summer Program	10005	233,782
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	6,112,977
84.367	NCLB: Title II, Part A, Administrator Training	14344	104,695
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CAMSP)	14512	474,824
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	1,299,669
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,037,620
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	61,215
84.002A	Adult Education: Adult Basic Education & ESL	14508	525,006
84.002	Adult Education: Adult Secondary Education	13978	116,412
84.002A	Adult Education: English Literacy and Civics Education	14109	161,208
84.002	Adult Education: State Leadership Projects	13970	75,000
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	829,436
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	167,476
84.215J	Full Service Community Schools Program	-	690,884
84.215J	Smaller Learning Communities	-	1,082,714
84.215L	Elementary and Secondary School Counseling	-	186,872
84.060	Indian Education	10011	70,305
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.165	Magnet School Assistance	-	579,853
84.350	Transition to Teaching	-	304,431
84.184E	Readiness and Emergency Management for Schools	-	316,113
84.410	Education Jobs Fund	25152	<u>6,845,819</u>
Total U.S. Department of Education			<u>105,740,480</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Development: Quality Improvement Activities	13979	\$ 15,595
93.778	Department of Health Services: Medi-Cal Billing Option	10013	<u>1,220,408</u>
	Total U.S. Department of Health and Human Services		<u>1,236,003</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CCFP Claims, Centers and Family Day Care Homes	13529	206,790
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	32,090,361
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,023,778</u>
	Total U.S. Department of Agriculture		<u>33,320,929</u>
	Total Federal Programs		<u>\$ 140,297,412</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, 2012

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

See accompanying notes to
supplemental information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2012

(UNAUDITED)

	(Adopted Budget) <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>General Fund</u>				
Revenues and other financing sources	\$600,147,910	\$638,049,740	\$649,936,034	\$639,408,386
Expenditures	628,382,442	606,533,952	636,551,531	667,901,435
Other uses and transfers out	<u>9,672,547</u>	<u>14,473,554</u>	<u>10,463,522</u>	<u>3,937,233</u>
Total outgo	<u>638,054,989</u>	<u>621,007,506</u>	<u>647,015,053</u>	<u>671,838,668</u>
Change in fund balance	<u>\$ (37,907,079)</u>	<u>\$ 17,042,234</u>	<u>\$ 2,920,981</u>	<u>\$ (32,430,282)</u>
Ending fund balance	<u>\$ 43,967,749</u>	<u>\$ 81,874,828</u>	<u>\$ 64,832,594</u>	<u>\$ 61,911,613</u>
Available reserves	<u>\$ 43,453,007</u>	<u>\$ 63,136,220</u>	<u>\$ 53,973,880</u>	<u>\$ 38,105,644</u>
Designated for economic uncertainties	<u>\$ 43,453,007</u>	<u>\$ 63,136,220</u>	<u>\$ 53,973,880</u>	<u>\$ 38,105,644</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>6.81%</u>	<u>10.17%</u>	<u>8.34%</u>	<u>5.67%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$623,521,926</u>	<u>\$654,815,119</u>	<u>\$493,729,834</u>	<u>\$421,465,019</u>
Average daily attendance at P-2, (excludes classes for adults and charter schools)	<u>66,372</u>	<u>66,350</u>	<u>66,565</u>	<u>67,769</u>

The General Fund fund balance has decreased by \$12,467,067 over the past three years. The fiscal year 2012-13 budget projects a decrease of \$37,907,079. 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, 2012, 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 2013.

Total long-term liabilities have increased by \$233,350,100 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance, excluding classes for adults and charter schools, has decreased by 1,419 over the past two years. An increase of 22 ADA is projected for the 2012-2013 fiscal year.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2012

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Fresno Academy of Civic and Entrepreneurial Leadership	Separate Report
Dailey Elementary Charter School	Separate Report
New Millennium Institute of Education	Separate Report
School of Unlimited Learning	Separate Report
Carter G. Woodson Public Charter	Separate Report
Valley Preparatory Academy	Separate Report
Valley Arts and Science Academy	Separate Report
University High School	Separate Report
Sierra Charter School	Separate Report
Sunset Charter School	Included in District financial statements, in the General Fund

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$140,530,005
Less: Medi-Cal Billing Funds not spent in the current year	93.778	<u>(232,593)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$140,297,412</u>

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2012-2011 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2012, the District did not adopt such a program.

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Audit Committee
 Fresno Unified School District
 Fresno, California

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2012. In addition, we have audited the compliance of Fresno Unified School District with Education Code Section 42238.20, specifically related to the Center for Advanced Research and Technology (CART). Compliance with the requirements of state laws and regulations is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. Our audit does not provide a legal determination of Fresno Unified School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignment	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	Yes

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	3	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes
CART - Education Code Section 42238.20	10	Yes

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

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

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2011-2012 Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

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

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

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

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

As described in Finding 2012-02 in the accompanying Schedule of Audit Findings and Questioned Costs, Fresno Unified School District did not comply with requirements regarding absence documentation. Compliance with such requirements is necessary, in our opinion, for Fresno Unified School District to comply with state laws and regulations applicable to Attendance Accounting and Reporting.

In our opinion, except for the noncompliance with Attendance Accounting and Reporting identified in the Schedule of Audit Findings and Questioned Costs as Finding 2012-02, Fresno Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Fresno Unified School District had not complied with the state laws and regulations.

Fresno Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Audit Committee, the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2012

INDEPENDENT AUDITORS' 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 the financial statements of Fresno Unified School District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. 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.

Internal Control Over Financial Reporting

Management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fresno Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fresno Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Fresno Unified School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified other matters involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01.

Compliance and Other Matters

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

Fresno Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Audit Committee, the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 29, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Audit Committee
Fresno Unified School District
Fresno, California

Compliance

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fresno Unified School District's major federal programs for the year ended June 30, 2012. Fresno Unified School District's major federal programs are identified in the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fresno Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fresno Unified School District's compliance with those requirements.

In our opinion, Fresno Unified School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fresno Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fresno Unified School District's internal control over compliance.

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Audit Committee, the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

Sacramento, California
November 29, 2012

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

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 auditors' report issued on compliance for
major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.377, 84.388	NCLB: Title I School Improvement Grant Cluster (includes ARRA)
84.410	Education Jobs Fund
84.318, 84.386	Educational Technology State Grants Cluster (includes ARRA)
10.555	Child Nutrition: School Programs (NSL Sec 11)

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

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

STATE AWARDS

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

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At various school sites tested, the following was noted:

- Receipt books are not consistently issued to students and/or faculty for fundraising events.
- Receipts or detailed schedules of receipts being submitted to the school office are not being maintained.
- Evidence of cash receipts being counted in dual custody when turned into the school office could not be obtained.
- Evidence of administrator's approval of disbursements before check being initiated could not be obtained.
- Deposits made to the bank are not being done in a timely manner.
- Deposit slips did not reconcile to supporting receipts and/or detailed schedules.
- Student store inventory is not counted or reviewed periodically.
- Records of sales from student store are not reconciled to receipts for cash received.
- School sites do not consistently prepare profit and loss statements for the student store and there is no review of the statements.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable

Recommendation

- Receipt books should be issued to all student groups to ensure that all funds raised are properly accounted for.
- Receipt books issued to clubs should be tracked by the office manager to ensure receipts are turned in are complete.
- Cash receipts should be dual counted and evidenced by dual signatures on the Cash Count form.
- Cash disbursements should have a request for payment that is signed by an administrator and if applicable the student council evidenced by signatures on the form and supporting meeting minutes of the student council.
- Deposits should be made at least once a week and should be reconciled to supporting schedules and receipts.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

2012-01 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Recommendation (Continued)

- Student store inventory should be counted or reviewed regularly.
- Profit and loss statements should be prepared monthly for the student store activity.

Corrective Action Plan

The District provides training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the auditor's recommendations, some at a greater level than what has been suggested. The District will provide additional training focused on preparing required documentation for compliance and continue to monitor timeliness of submission of reports.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2012-02 DEFICIENCY - ATTENDANCE REPORTING (10000)

Criteria

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

Condition

- At Wilson Elementary School two students were improperly included for a total misstatement of 3 days.
- At Pyle Elementary School one student was improperly included for a total misstatement of 1 day.
- At Ahwahnee Middle School one student was improperly included for a total misstatement of 1 day.
- At Bullard Talent K-8 one student was improperly included for a total misstatement of 1 day.

Effect

The effect of this finding is an extrapolated overstatement of 5.35 ADA.

Cause

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

Fiscal Impact

The extrapolated overstatement of 5.35 ADA results in a fiscal impact of approximately \$34,076.

Recommendation

The District should revise Period Two Report of Attendance removing the disallowed attendance.

Corrective Action Plan

The District has adjusted the Period Two Report of Attendance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2011-01</p> <p>At various school sites tested, the following was noted:</p> <ul style="list-style-type: none"> • Cash receipt books are not consistently used during the initial collection of cash during fundraising events. • Cash receipts are not being tracked to ensure the receipts being turned in are complete. • Cash is not dual counted at the time the cash receipt is prepared. • Evidence of the principal's approval of disbursements before check being initiated could not be obtained. • Evidence as to check's being signed by two administrators could not be obtained. • Fundraising approval forms are not consistently being used to approve revenue-producing activities. • Detailed schedules or receipts used to support the cash receipt amount were not being turned in with monies received at the office. • Student store inventory is not counted or reviewed periodically. • Records of sales from the student store are not reconciled to receipts for cash received. • School sites do not consistently prepare profit and loss statements for the student store and there is no review of the statements. • Reconciliations were not being performed or evidence indicating that reconciliations being performed in a timely manner could not be obtained. <p>We recommend the following:</p> <ul style="list-style-type: none"> • Receipt books should be issued to all student groups to ensure that all funds raised during an event are properly accounted for. • Receipt books issued to clubs should be tracked by the office manager to ensure receipts turned in are complete. 	<p>Partially implemented.</p>	<p>See current year finding 2012-01.</p>

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2012

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2011-01 (Continued)		
<ul style="list-style-type: none"> • Cash receipts should be reconciled to the deposits and approved by school site administrators. • Cash receipts turned into the office should be supported by detailed schedules or receipts to ensure amounts turned in are complete. • Cash disbursements should have a request for payment that is signed by an administrator and student council to indicate approval for all payments. • All checks should require two signatures either by the office manager or principal in order to processed. • Student council and school site administration should approve all fundraising events. • Student store inventory should be counted or reviewed regularly. • Profit and loss statements should be prepared monthly for the student store activity. • Reconciliations should be prepared on a monthly basis by the office manager and reviewed by the principal within a timely manner. 		
2011-02	Implemented.	
<ul style="list-style-type: none"> • At Lane Elementary School three students were improperly included for a total misstatement of 3 days. • At McCardle Elementary School one student was improperly included for a total misstatement of 1 day. • At Wolters Elementary School one student was improperly included for a total misstatement of 1 day. • At Kings Canyon Middle School two students were improperly included for a total misstatement of 2 days. • At Scandinavian Middle School two students were improperly included for a total misstatement of 2 days. 		

The District should revise Period Two Report of Attendance removing the disallowed attendance.

FRESNO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
Year Ended June 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2011-03 The Annual Period Report of Attendance for Sunset Elementary Charter School total Kindergarten ADA did not agree to the supporting schedules. The District should ensure the Annual Report of Attendance agrees to the supporting documentation.	Implemented.	