

**FRESNO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2019

FRESNO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 21 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Net Other Postemployment Benefits (OPEB) Liability, the Schedule of Money-Weighted Rate of Return on OPEB Plan Investments, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 73 to 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

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

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## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 on our consideration of Fresno Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fresno Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

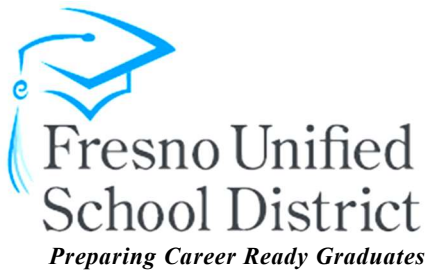
Crowe LLP

Sacramento, California  
December 2, 2019

# Management's Discussion and Analysis

## June 30, 2019

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This section of Fresno Unified School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Readers are encouraged to consider the information presented in conjunction with the District's financial statements. This discussion and analysis provide a comparison between fiscal year 2018/19 and 2017/18.

### ABOUT FRESNO UNIFIED SCHOOL DISTRICT

Located in the heart of the Central Valley, Fresno Unified School District serves more than 74,000 students Pre-K to 12th grade, with an additional 10,000 adult learners served through Fresno Adult School. Through high quality instruction, district programs, services and resources, the District is focused on building college and career ready graduates among its 66 elementary schools, 14 middle schools, 10 high schools, 5 alternative schools, 3 special education schools and one adult school. In addition, the district provides oversight and evaluation to 7 neighborhood charter schools.

### FINANCIAL HIGHLIGHTS

- The primary government has a net position deficit in governmental activities totaling \$1.08 billion at June 30, 2019.
- The total net position of the District decreased by \$52 million during fiscal year 2018/19. This is mainly due to debt payments towards general obligation bonds offset by an increase in post-retirement liability and an increase in net pension liabilities.
- Fund balance of the District's governmental funds decreased by \$45 million resulting in an ending fund balance of \$419 million. The decrease was mainly due to construction of capital projects.
- At the end of the 2018/19 fiscal year, the fund surplus in the District's Unrestricted General Fund increased by \$9 million resulting in an ending fund balance of \$141 million. This was mainly due to planned one-time facility projects and one-time Medi-Cal Administrative Activity (MAA) revenue.
- Governmental Accounting Standards Board (GASB) Statement No. 68 recognizes the District's portion of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) pension liabilities, deferred inflows, deferred outflows and pension expenses at June 30, 2019. The District is recognizing a net decrease of \$42 million in the net position as a result of the changes in the net position liability related to deferred outflows and inflow of resources.
- On June 27, 2019, Governor Gavin Newsom signed Senate Bill (SB) 90 into law, which appropriated additional funding to CalSTRS and CalPERS. The impact of the State's contribution creates a requirement to recognize the pro rata share on the 2018/19 fund financial statements in accordance with GASB 68 totaling \$25 million.



# Management's Discussion and Analysis

## June 30, 2019

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- The District's long-term obligations increased by \$106 million to \$2.6 billion mainly due to an increase of the net OPEB liability and an increase of pension liabilities.
- GASB Statement No. 75 requires an actuarial valuation of the District's Retiree Health Benefits Plan and full recognition of the total net Other Post Employment Benefit (OPEB) liability. The total OPEB liability of \$1.07 billion as of June 30, 2019 is offset with the 2018/19 net assets in the District's Irrevocable Trust for OPEB liabilities of \$49 million. The net OPEB liability at the end of 2018/19 is \$1.02 billion. In addition, the District transfers \$3.5 million into an irrevocable trust from the General and Self Insurance Funds on an annual basis.
- The District maintained a positive financial position for 2018/19 as reflected by Moody's credit rating of Aa3 issued in July 2019. In its report to potential investors, Moody's Investor Services noted the District's "stable financial position and reserve policies". The rating report incorporates "the District's ability to maintain stable financial operations" and a "three-year settlement agreement through fiscal 2022 with the teacher's union" which "enhances budgeting certainty".

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

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

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

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

#### *Government-wide Financial Statements*

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

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

The *Government-wide Financial Statements* consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues. The District's *Government-wide Financial Statements* include the following types of funds: General, Special Revenue, Capital Project, Debt Service and 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 agent, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for

## Management's Discussion and Analysis

### June 30, 2019

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their intended purposes. All the District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities*.

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

#### Fund Financial Statements

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

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

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

The District maintains 11 different governmental funds. At June 30, 2019 the major funds are the General Fund, Building Fund, County School Facilities Fund, and the Bond Interest and Redemption Fund. They are presented separately in the *Fund Financial Statements* with the remaining governmental funds combined into a single aggregated presentation labeled *All Non-Major Funds*. Individual fund information for the non-major funds is presented in the Supplementary Information section.

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

The District maintains one type of proprietary fund which is the Self Insurance Fund.

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

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

#### Notes to the Basic Financial Statements

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

#### 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, 2019**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

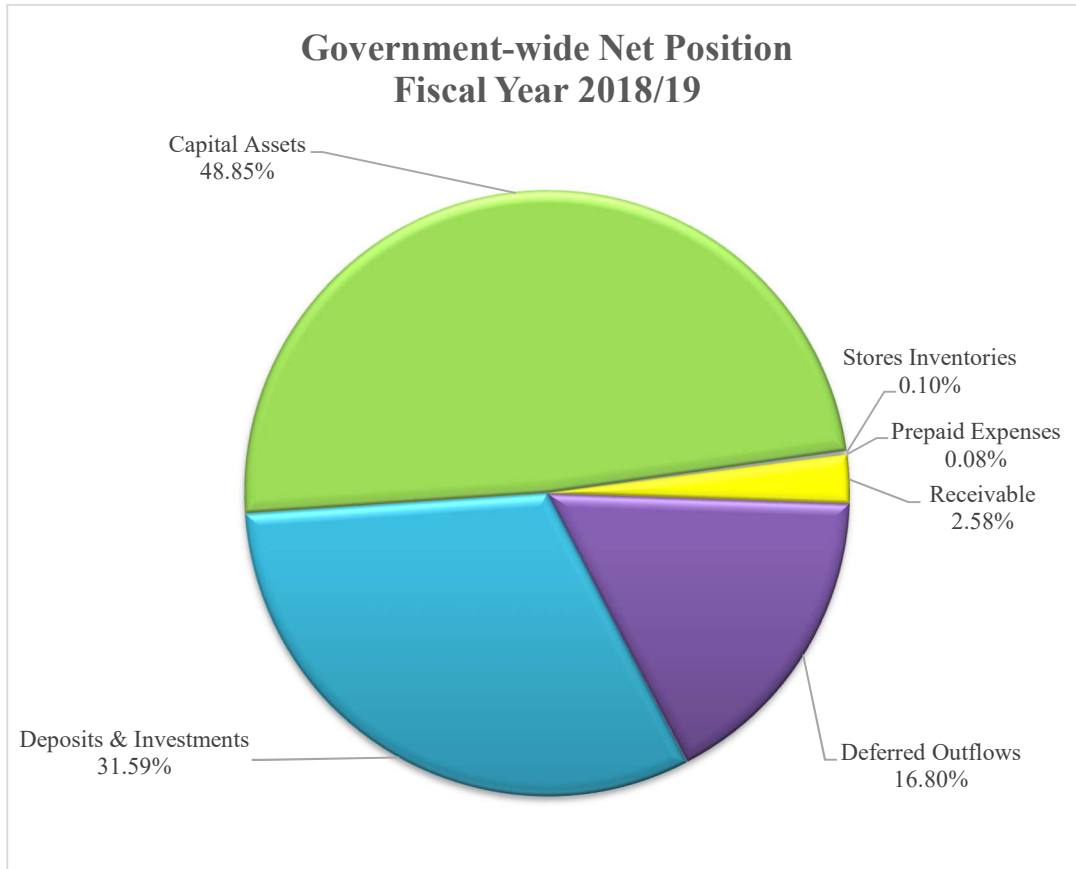
*Statement of Net Position*

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Current and other Assets	\$610,983,073	\$ 657,409,439	(7.06%)
Capital Assets	869,119,288	813,043,268	6.90%
Total Assets	1,480,102,361	1,470,452,707	0.65%
Deferred Outflows	298,905,174	258,131,755	15.80%
Current Liabilities	168,435,168	171,335,166	(1.69%)
Long-term Liabilities	2,628,780,469	2,523,097,240	4.19%
Total Liabilities	\$ 2,797,215,637	\$ 2,694,432,406	
Deferred Inflows	63,425,865	64,157,000	(1.14%)
Net invested in			
Capital Assets	249,084,583	231,982,273	7.37%
Restricted	294,919,041	280,083,470	(5.74%)
Unrestricted	(1,625,637,591)	(1,542,070,687)	3.42%
Total Net Position	(\$1,081,633,967)	(\$1,030,004,944)	5.01%

# Management's Discussion and Analysis

## June 30, 2019

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### Government-wide Net Position

The assets of the District are classified as follows: cash, investments, receivables, prepaid expenses, stores inventory, and capital assets. Current and other assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of State apportionment and property tax resources.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, unearned revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2018/19 fiscal year. Long-term liabilities such as general obligation bonds, energy loans and compensated absences will be liquidated from resources that will become available after the 2018/19 fiscal year.

The liabilities and deferred inflows of the primary government activities exceed the assets and deferred outflows by \$1.08 billion. Total net position of the primary government does not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the “gross up” effect on the assets and liabilities.

A net investment of \$869 million in land, land improvements, buildings, equipment and work-in-process represents 59% of the District’s total assets. The District serves 70,749 public school students including transitional kindergarten through 12th grade. In addition, the District participates in the State preschool

## **Management's Discussion and Analysis**

### **June 30, 2019**

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program in which 3,106 students are enrolled. The table and chart on the previous pages summarize the District's government-wide net position.

The Cafeteria Fund's key elements that highlight the activities in the 2018/19 fiscal year are as follows:

- Over 22,400 breakfasts, 56,500 lunches and 12,800 snacks per day were served, equating to 16,492,000 meals annually, which is a decrease of 485,000 meals from the prior year.
- The District continues to participate in the National School Lunch and School Breakfast Programs under the Community Eligibility Provision (CEP), which allows all students at every site to receive a healthy breakfast, lunch, and snack every day.
- Meals are served at 108 locations, utilizing 569 full and part-time employees. The volume of meals served has enabled the program to operate on Federal and State reimbursement without additional contribution from the Unrestricted General Fund.
- The lease payments for the Nutrition Center will expire in 2028.

# Management's Discussion and Analysis

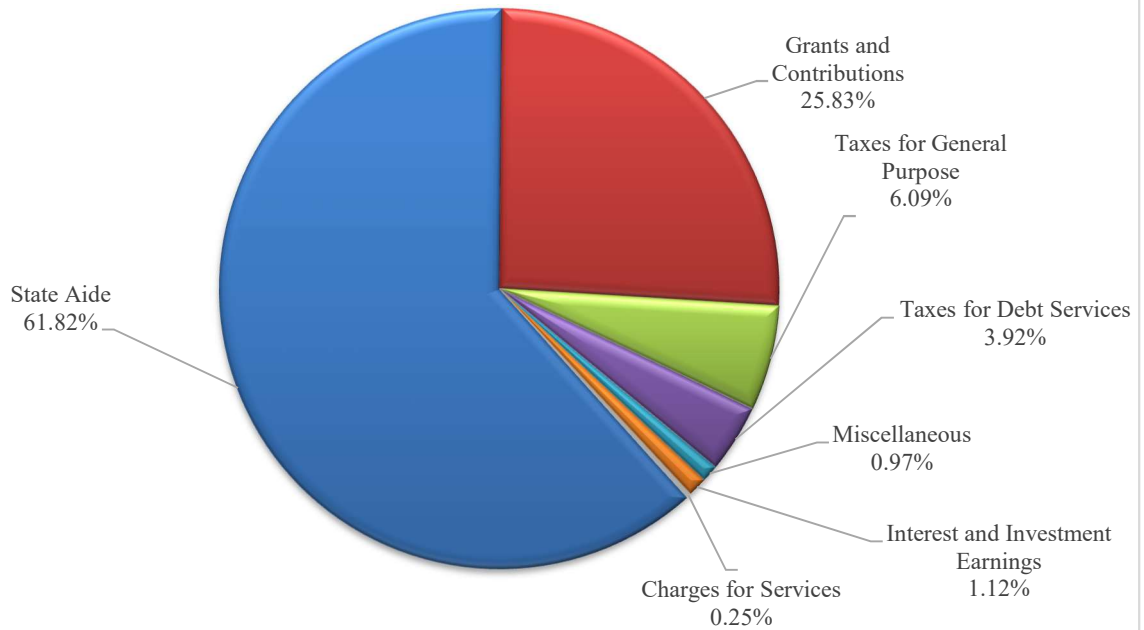
## June 30, 2019

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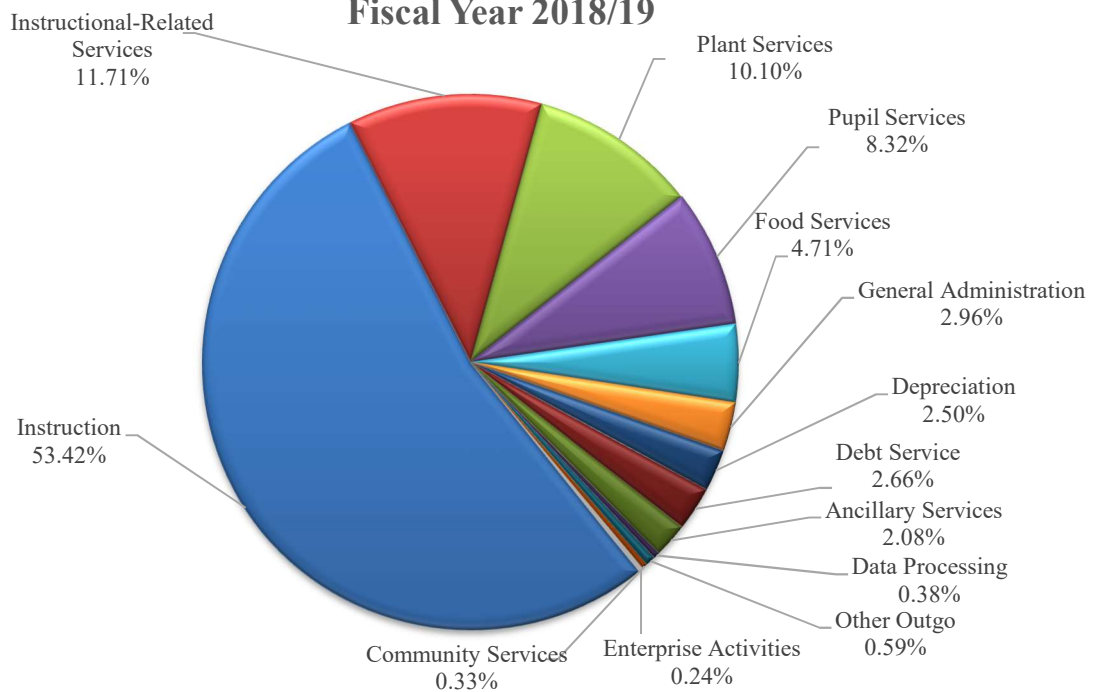
### *Statement of Activities*

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2019</b>	<b>2018</b>	
Program Revenues			
Charges for Services	\$2,900,139	\$1,127,813	157.15%
Operating Grants & Contributions	300,060,595	259,845,962	15.48%
General Revenues			
Taxes and Subventions	116,373,953	111,557,601	4.32%
Federal and State Aid, Unrestricted	718,171,650	657,206,327	9.28%
Interest and Investment Earnings	12,999,727	4,102,629	216.86%
Other General Revenues	11,249,274	12,389,261	(9.20%)
Capital Grants & Contributions	8,656,092	34,503,845	(74.91%)
Total Revenues	<u>\$1,170,411,430</u>	<u>\$1,080,733,438</u>	8.30%
Expenses			
Instruction	\$ 652,765,593	\$ 588,368,723	10.94%
Instructional Related	143,091,695	130,771,698	9.42%
Student Support Services	159,169,746	142,132,289	11.99%
General Administrative	40,851,921	43,093,958	(5.20%)
Maintenance and Operations	123,390,236	111,729,870	10.44%
Depreciation	30,585,848	29,211,056	4.71%
Other	72,185,415	64,875,509	11.27%
Total Expenses	<u>\$1,222,040,454</u>	<u>\$1,110,183,103</u>	10.08%
Change in Net Position	<u>\$(51,629,024)</u>	<u>\$(29,449,665)</u>	75.31%

**Government-Wide Revenue**  
**Fiscal Year 2018/19**



**Government-Wide Expenditures**  
**Fiscal Year 2018/19**



## Management's Discussion and Analysis

### June 30, 2019

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Governmental activities – Capital Project Funds for the District provide the same type of information presented in the government-wide financial statements, but in greater detail. The following highlights significant activity in the District's Capital Project Funds for fiscal year 2018/19.

- The County School Facilities Fund spent \$61.1 million on projects (Measure Q - \$21 million and Measure X - \$40.1 million).
- The County School Facilities Fund's major projects and activities included the following:
  - Construction and Maintenance major projects and activities totaling \$32.8 million:
    - Slater Elementary \$8.8 million
    - Duncan Polytechnical \$5.9 million
    - McLane High \$4.7 million
    - Roosevelt High \$3.0 million
    - Phoenix Secondary \$2.8 million
    - Ventura/10<sup>th</sup> \$1.9 million
    - Figarden Elementary \$1.9 million
    - Herrera Elementary \$1.6 million
    - Addams Elementary \$0.6 million
    - Fresno High \$0.6 million
    - 15 other sites totaling \$1.0 million
  - Modernization Projects included the following sites totaling \$28.3 million:
    - Safety Improvements \$4.2 million
    - Rata \$3.2 million
    - Duncan Polytechnical \$3.0 million
    - McLane High \$2.2 million
    - Fresno High \$1.6 million
    - Adult Transition Program \$1.5 million
    - Hoover High \$1.5 million
    - Portable Classrooms \$1.4 million
    - Computech \$0.8 million
    - Wawona Middle \$0.7 million
    - Viking Elementary \$0.7 million
    - Vinland Elementary \$0.7 million
    - Kratt Elementary \$0.6 million
    - Bullard Talent K-8 \$0.6 million
    - Fremont Elementary \$0.6 million
    - Kings Canyon \$0.5 million
    - Roosevelt High \$0.5 million
    - Roeding Elementary \$0.5 million
    - 59 other sites totaling \$3.5 million

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

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

The General Fund is the chief operating fund of the District. Student enrollment increased by 74 students during the fiscal year. The funded average daily attendance (ADA) for fiscal year 2018/19 increased by 317 ADA from the 2017/18 fiscal year. This increase amounts to approximately \$3.6 million.

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



# Management's Discussion and Analysis

## June 30, 2019

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### General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board of Education. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2018/19, Fresno Unified spent 55.94% towards classroom compensation.

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

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

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

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

### Unrestricted Ending Balance

The prior year actual ending balance for 2017/18 was \$132 million. The current year actual ending balance for 2018/19 is \$141 million, a gain of \$9 million. However, the adopted unrestricted ending balance for 2018/19 was \$100 million. The difference between the 2018/19 adopted ending balance and the 2018/19 actual ending balance is \$41 million and is mainly due to the following:

#### 2017/18 Ending Fund Balance Impacts

- Actual General Fund expenditures in 2017/18 were lower than the adopted budget by \$5 million mainly due to:
  - One-time savings in the area of technology
  - School site and department expenditures lower than anticipated
  - Lower than anticipated expenditures in salaries
- Actual carryover in 2017/18 of one-time facility projects was higher than the adopted budget by \$8 million.

#### 2018/19 Impacts

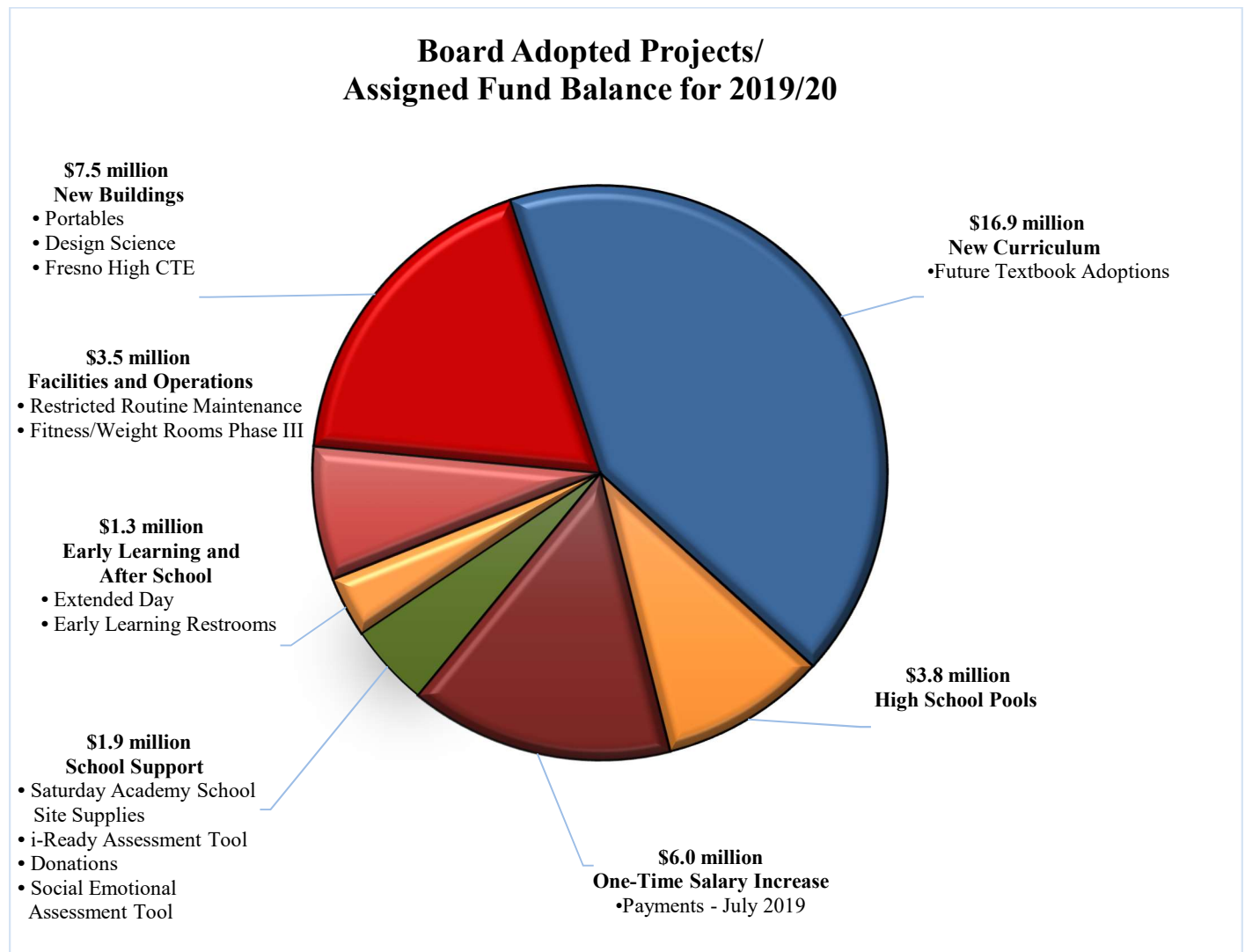
- An increase in Local Control Funding Formula (LCFF) revenue of \$9 million due to an increased Cost-of-Living Adjustment (COLA) offset by a reduction of one-time State mandate revenue of \$10 million with a net shift of one-time revenue to ongoing revenue.
- An increase in Federal and State income of \$4 million mainly due to one-time Medi-Cal Administrative Activity (MAA) and increases in one-time lottery.
- An increase in local revenue of \$3 million primarily due to increased interest and reimbursement revenues.
- A decrease in total expenditures of \$22 million primarily due to the following:
  - Board designated funds for projects to be carried forward and completed in 2019/20
  - School site and department expenditures lower than anticipated

# Management's Discussion and Analysis

## June 30, 2019

The Board designated funds in the 2018/19 budget in the amount of \$40.9 million for future projects as follows:

- Future Textbook Adoptions - \$16.9 million
- One-Time Salary Increase - \$6.0 million
- Design Science Facility - \$5.9 million
- High School Pools - \$3.8 million
- Restricted Routine Maintenance (Restrooms) - \$3.0 million
- Fresno High CTE Facility - \$1.0 million
- Early Learning Restrooms - \$0.7 million
- Extended Day - \$0.6 million
- Donations - \$0.6 million
- Fitness and Weight Rooms - \$0.5 million
- Portables - \$0.6 million
- Social Emotional Assessment Tool - \$0.5 million
- i-Ready Assessment Tool - \$0.5 million
- Saturday Academy School Site Supplies - \$0.3 million

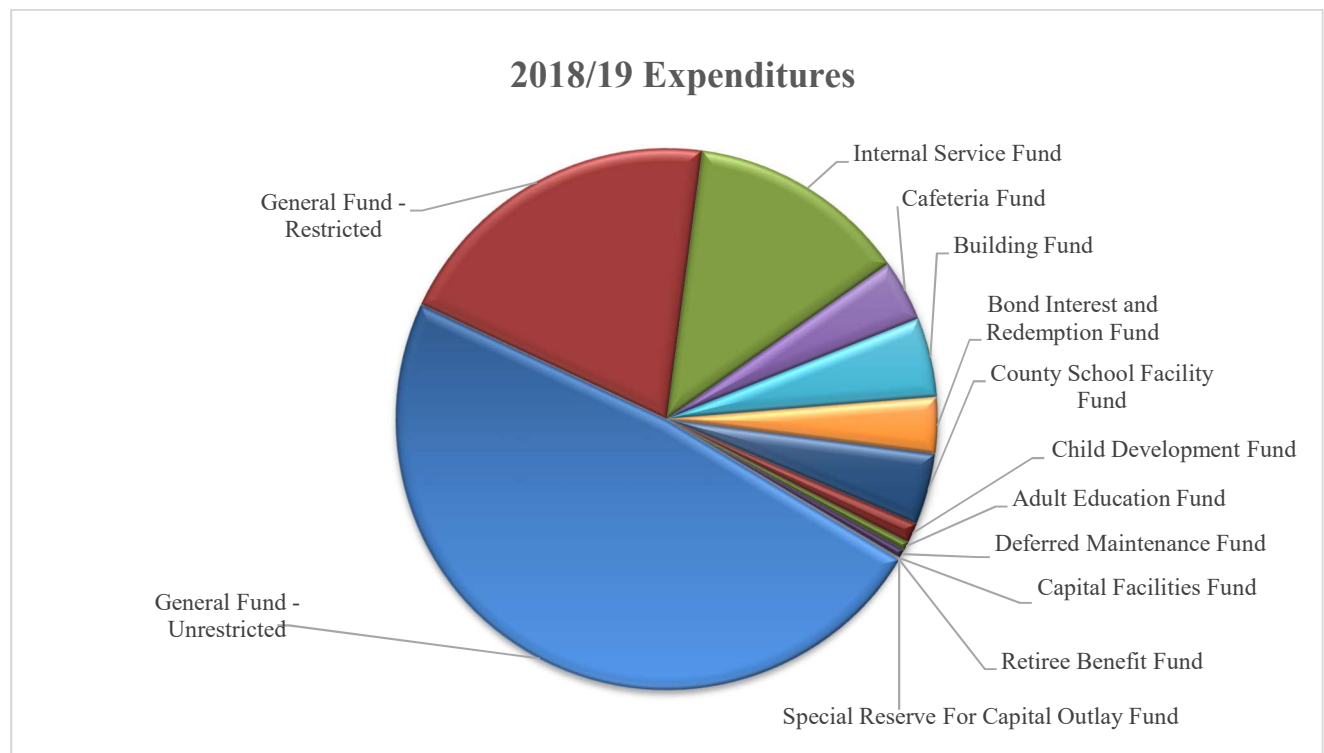


## Management’s Discussion and Analysis June 30, 2019

Total expenditures for 2018/19 were \$1.4 billion, representing an increase from 2017/18 of \$138 million as listed below (in millions):

Expenditures	2018/19 Unaudited Actuals Expense	2017/18 Unaudited Actuals Expense	Difference	Change
General Fund – Unrestricted	\$695.2	\$664.9	\$30.3	4.6%
General Fund – Restricted	290.1	262.9	27.2	10.3%
Internal Service Fund	189.5	157.2	32.3	20.5%
Building Fund	68.4	45.0	23.4	52.0%
County School Facility Fund	61.1	44.6	16.5	37.0%
Cafeteria Fund	52.8	50.5	2.3	4.6%
Bond Interest and Redemption Fund	48.4	44.2	4.2	9.5%
Child Development Fund	17.1	15.6	1.5	9.6%
Adult Education Fund	7.6	8.9	(1.3)	(14.6%)
Deferred Maintenance Fund	7.4	4.6	2.8	60.9%
Special Reserve For Capital Outlay Fund	0.9	0.3	0.6	200%
Capital Facilities Fund	0.2	2.1	(1.9)	(90.5%)
Retiree Benefit Fund <sup>(A)</sup>	-	-	-	-%
<b>Total</b>	<b>\$1,438.7</b>	<b>\$1,300.8</b>	<b>\$137.9</b>	<b>10.6%</b>

(A) The Retiree Benefit Fund is not included in the District’s financial statements. The funds in the California Employers’ Benefit Retiree Trust (CEBRT) are held in trust and will be administered by the CalPERS as an agent multiple-employer plan. The District’s contributions to the irrevocable trust are included in the CEBRT, which is included in the CalPERS Comprehensive Annual Financial Report (CAFR).

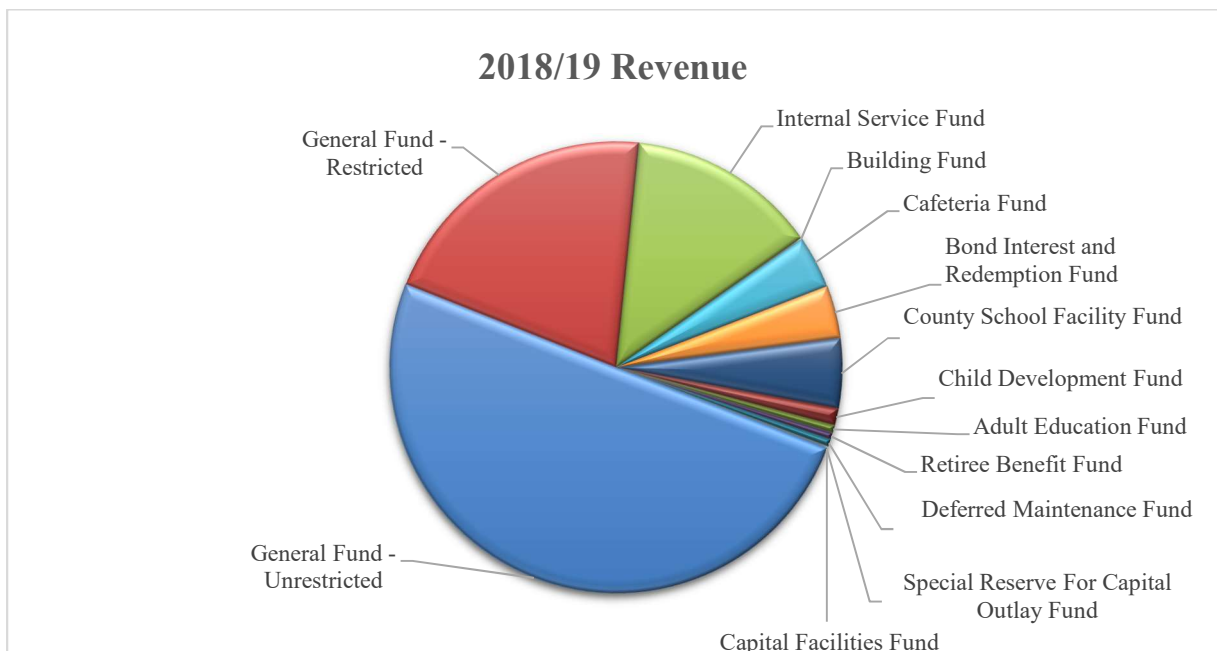


## Management's Discussion and Analysis June 30, 2019

Total revenue for 2018/19 was \$1.4 billion, representing a decrease from 2017/18 of \$35.6 million as listed below (in millions):

Revenue	2018/19 Unaudited Actuals Revenue	2017/18 Unaudited Actuals Revenue	Difference	Change
General Fund - Unrestricted	\$703.8	\$649.4	\$54.4	8.4%
General Fund - Restricted	288.6	271.9	16.7	6.2%
Internal Service Fund	191.1	174.6	16.5	9.5%
County School Facility Fund	70.0	74.9	(4.9)	(6.5%)
Cafeteria Fund	53.0	53.5	(0.5)	(1.0%)
Bond Interest and Redemption Fund	52.8	44.9	7.9	17.6%
Child Development Fund	17.1	15.6	1.5	9.6%
Adult Education Fund	7.7	8.4	(0.7)	(8.3%)
Deferred Maintenance Fund	7.4	4.6	2.8	61.9%
Retiree Benefit Fund <sup>(A)</sup>	6.7	5.8	0.9	15.5%
Capital Facilities Fund	2.1	1.3	0.8	61.5%
Building Fund	1.7	61.5	(59.8)	(97.21%)
Special Reserve For Capital Outlay Fund	0.1	0.1	-	-
<b>Total</b>	<b>\$1,402.1</b>	<b>\$1,366.5</b>	<b>\$35.6</b>	<b>2.61%</b>

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



## Management's Discussion and Analysis

### June 30, 2019

#### Capital Assets and Long-Term Liabilities

##### Governmental Activities,

Capital Assets	2019	2018	Change	Change
Land	\$64,815,011	\$ 64,815,011	\$ -	- %
Work-in-process	128,431,586	64,096,250	64,335,336	100.37%
Land improvements	96,491,439	87,289,919	9,201,520	10.54%
Buildings	983,537,316	972,868,726	10,668,590	1.10%
Equipment	38,304,905	36,518,085	1,786,820	4.89%
Capital Assets, cost	1,311,580,257	1,225,587,990	85,992,266	7.02%
Accumulated Depreciation	(442,460,969)	(412,544,722)	(29,916,247)	7.25%
Governmental Activities Capital Assets, net	<u>\$ 869,119,288</u>	<u>\$ 813,043,269</u>	<u>\$ 56,076,019</u>	<u>6.9%</u>

The District's investment in Capital Assets for its governmental activities as of June 30, 2019 was \$869 million (net of accumulated depreciation).

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

#### Summary of Long-Term Liabilities

	2019	2018	Change	Change
<b>Governmental Activities</b>				
General Obligation Bonds	\$619,290,323	\$646,789,556	(\$27,499,233)	(4.25%)
Accreted Interest	62,681,257	50,746,345	11,934,912	23.52%
PG&E Energy Loans	143,175	233,391	(90,216)	(38.65%)
Unamortized Premium	17,645,282	18,278,355	(633,073)	(3.46%)
Other Postemployment Benefits	1,019,255,291	982,091,241	37,164,050	3.78%
Compensated Absences	3,038,141	2,582,352	455,789	17.7%
Net Pension Liability	906,727,000	822,376,000	84,351,000	10.3%
Governmental Long-Term Liabilities	<u>\$2,628,780,469</u>	<u>\$2,523,097,240</u>	<u>\$105,683,229</u>	<u>4.19%</u>

At June 30, 2019, the District had a total outstanding bonded debt of \$619 million backed by the full faith and credit of the District.

Total long-term debt for the District increased by \$106 million. The change in the long-term debt was due mainly to a net increase in the pension liability of \$84 million, a net increase in the OPEB liability of \$37 million, an increase in accreted interest of \$12 million, and a reduction in unamortized premiums of \$0.6 million offset by payments to the General Obligation Bonds of \$28 million.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was 2.40%.

# Management's Discussion and Analysis

## June 30, 2019

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### Economic Factors and Budgets and Rates for 2018/19

The annual process to develop the District's budget begins in the fall with an update to the Board of Education and stakeholders regarding the District's Local Control and Accountability Plan (LCAP) actions and investment areas. The following January the Governor proposes the State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions from the Governor's proposal, guidance from Fresno County Superintendent of Schools, and enrollment projections. The 2019/20 Proposed Budget includes recommendations that continue to balance the Board of Education's investments in extensive student programs, competitive employee compensation, and prudent fiscal responsibility.

On June 12, 2019, the Board of Education approved an Adopted Budget for fiscal year 2019/20. The Adopted Budget included a 7.86% unrestricted reserve.

- The major State assumptions are:
  - Statutory cost-of-living adjustment of 3.26%
  - The cash flow projected a positive balance of \$177 million on June 30, 2020
  - Educational Protection Account continues as required by Proposition 30 (November 2012) which represents 13% of the LCFF of \$102 million
  - The District is projected to be funded on the current year ADA
  - LCFF Supplemental and Concentration funding of \$198 million
- The local assumptions are as follows:
  - The Elementary School Aligned Instructional System: Designated sites, instructional aides including kindergarten aides, police chaplains to increase safety, custodial, clerical supports, administrative support and health care professionals including a registered nurse, and licensed vocational nurse each working 2-3 days per week
  - The Middle School Aligned Instructional System: Innovative professional learning teams, transition teacher, and campus culture support, safety investments include a school neighborhood resource officer and campus assistants, custodial support, clerical support, administrative support, and health care professionals including a registered nurse and licensed vocational nurse each working 2-3 days per week
  - The High School Aligned Instructional System: Professional learning, librarian, student engagement, campus culture director and athletic director support, safety investments include school neighborhood resource officer, probation officer and campus assistants, custodial support including PE custodians, pool custodians and auditorium custodians, clerical supports including a library technician, administrative support, and health care professionals including a registered nurse and licensed vocational nurse on a daily basis
  - Elementary Site Leadership: Increase support of additional Vice Principals at five sites based on parameters including school size and unduplicated pupil percentage
  - Comprehensive Guidance Program: Increase support of nine counselors to balance the counselor-to-student ratio between middle, high, and other schools
  - Special Education: Investments in support of a three year investment to support Special Education programs as follows: increase teacher and paraprofessionals to reduce class size and address curriculum alignment, designated instructional services including speech pathologist, occupational therapists, teachers for assistive technology, and for orthopedically impaired students, instructional specialists, additional special education managers and counselors, residential placements, professional learning, and, support for portable classrooms
  - Social Emotional Support: Increased support for five additional psychologists
  - Health Services: Increased support of two additional registered nurses, a manager, conversion of health assistant positions to licensed vocational nurse positions, and increased cost for the annual Health Master contract

# Management’s Discussion and Analysis

## June 30, 2019

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- Early Learning: Increased support for the conversion of child development paraprofessionals from two – 3.5 hour positions to one – 7.0 hour position and the conversion of transitional kindergarten paraprofessionals from two – 3.0 hour positions to one – 6.0 hour position
- Transportation: Support for the conversion of all 6.0 and 7.0 hour employees to full-time employees offset by a decrease in extra-time and an increase in the First Student contract
- School Site Allocations: Increase or maintain investments for instructional classroom support, after-school activities/athletics, equipment and coaching contracts, as well as, supplies for libraries
- Department of Prevention and Intervention: Supports a project manager and two child welfare assistants offset by corresponding reductions. In addition, the one-time purchase of a social emotional universal diagnostic assessment
- Communications: Elimination of a media supervisor, and the conversion of an administrative analyst to an executive officer, as well as an increase of community outreach and special events
- Parent University: Conversion of two part-time home-school liaison positions to one full-time Spanish primary language instructional specialist
- Technology Services: Realignment/reorganization of 15 positions to better support student and staff within the following areas: Student Records, Core Infrastructure, Learner Support and Application Development, and Operations
- Equity and Access: Support i-Ready Assessment software to coincide with the phase out of the current interim assessment system by 2020/21 and offset by ongoing and one-time savings
- Curriculum: Support of additional one-time funds for future textbook adoptions, mainly the science adoption for grades 7-12
- African-American Student Academic Acceleration: Reorganization within the department and the expansion of the summer literacy program
- Maintenance and Operations: Support for the increased costs of utilities
- Restricted Routine Maintenance Operations: Supports an increase of two roofers, two irrigation specialists, a floor covering worker, and two painters. These positions will be supported within the current allocation supported by District contribution
- Utilization of one-time resources:
  - Education Programs: Textbooks for science adoption grades 7-12, i-Ready universal assessment for all school sites.
  - Common Core: Professional development, extended day programs, textbooks for science and Autism curriculum
  - Plant Maintenance and Operations: Design Science facility project, new high school pools at McLane and Roosevelt, portable classrooms, early learning restrooms, and Fresno High Career Technical Education (CTE) facility
- Multi-Year Items:
  - Future Textbook Adoptions: Science grades 7-12 in 2019/20; and, Science grades K-6. Other subject areas to be identified in future years
  - Designated Schools: Conversion of ten additional elementary schools which includes an additional 30 minutes of instruction, up to ten additional professional development days, and one additional certificated staff member
  - STRS and PERS increased employer rates:

<b>Year</b>	<b>STRS Employer Rate</b>	<b>PERS Employer Rate</b>	<b>Annual Increase to District Contribution</b>	<b>Annual District Contribution</b>
2019/20	16.70%	20.73%	\$4.5 million	\$83.6 million
2020/21	18.10%	23.60%	\$7.9 million	\$91.5 million
2021/22	18.10%	24.90%	\$1.0 million	\$92.5 million

## Management's Discussion and Analysis

### June 30, 2019

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- An Unrestricted General Fund contribution of \$1.5 million and a \$2.0 million contribution from the Health Fund to the OPEB irrevocable trust for all years
- Increases in minimum wage each year up to \$15 per hour in 2023: projected impact estimated at \$375,000 in 2019/20; \$3.9 million in 2020/21; and, \$5.0 million in 2021/22
- Benefit Rates:
  - Increase the Health rate in accordance with the current employee bargaining agreements by \$580 to \$19,348 per employee. For each active eligible employee the contribution to the Health Fund is estimated to increase by \$547 in 2020/21, and an additional \$522 in 2021/22, equating to \$3.6 million and \$3.4 million respectively. In addition, the General Fund will contribute an additional \$214,000 in 2019/20 for increased costs associated with the District's 90/10 health plan
  - Workers' Compensation maintains the Liability Insurance rates to fund the reserve level at 77% for 2019/20

#### Employee Benefits

The District provides post-employment health benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service who retire at a minimum of 57½ years of age. For employees hired on or after July 1, 2005, the District provides five years of post-employment medical benefits to District employees and their dependents with a minimum of 25 years of service who retire at least 60 years of age. GASB 74 and GASB 75, are governmental accounting standards that direct how State and local governments will account for these benefits.

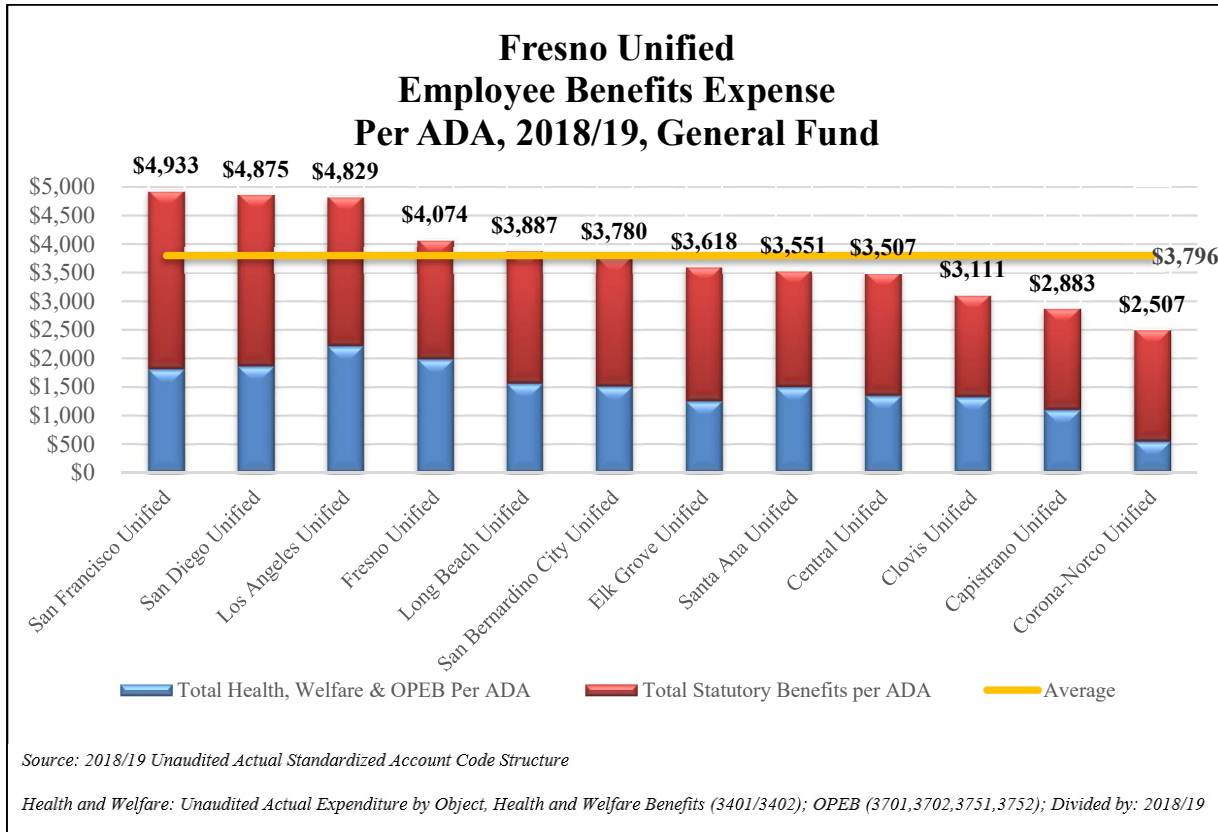
The District's most recent actuarial study calculated the total gross liability for post-employment benefits to be \$1.07 billion in October 2019. The previous actuarial completed in October 2018 totaled \$1.02 billion. The District established an irrevocable trust in 2013/14. The Trust Fund increased by \$6.64 million and at the end of 2018/19 had an ending fund balance of \$48.7 million. In 2019/20, the District plans to transfer \$3.5 million to the OPEB irrevocable trust. At June 30, 2019, the total net OPEB liability was \$1.02 billion.

Included in total employee statutory benefits are the District's contributions to CalPERS and CalSTRS on behalf of employees' pensions. The employer contribution rates for CalSTRS and CalPERS began to increase in 2014/15 from rates of 8.25% and 11.44% respectively. CalSTRS rates are currently legislated to increase through 2022/23 to 18.1% and CalPERS projects rate increases through 2026/27 to 26.7%.

Fresno Unified ranks fourth in spending for total employee benefits per ADA when compared to the largest ten districts in the State and two of the largest local districts. The District outspends the average by \$278/ADA. If the District spent at the State average of \$3,796/ADA, annual savings generated equates to \$19 million. Furthermore, the District's total benefits per ADA expense for 2018/19 increased by \$396 over 2017/18.



**Management’s Discussion and Analysis  
June 30, 2019**



Pension Liability

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

Contacting the District’s Financial Management

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

## **BASIC FINANCIAL STATEMENTS**

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 438,590,594
Investments (Note 2)	123,304,851
Receivables	45,814,167
Prepaid expenses	1,925,818
Stores inventory	1,779,037
Non-depreciable capital assets (Note 4)	193,246,597
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>675,872,691</u>
Total assets	<u>1,480,533,755</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (Notes 8 and 9)	295,513,222
Deferred outflows of resources - loss from refunding of debt	2,946,167
Deferred outflows of resources - OPEB (Note 10)	<u>14,393</u>
Total deferred outflows	<u>298,473,782</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	101,222,592
Unearned revenue	8,078,744
Self-insurance claims liability (Note 5)	59,133,834
Long-term liabilities (Note 6):	
Due within one year	23,982,460
Due after one year	<u>2,604,798,009</u>
Total liabilities	<u>2,797,215,639</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 8 and 9)	62,979,000
Deferred inflows of resources - OPEB (Note 10)	<u>446,865</u>
Total deferred inflows	<u>63,425,865</u>
<b>NET POSITION</b>	
Net investment in capital assets	249,084,583
Restricted:	
Legally restricted programs	35,874,137
Capital projects	63,354,383
Debt service	164,791,547
Self insurance	30,898,974
Unrestricted	<u>(1,625,637,591)</u>
Total net position	<u>\$ (1,081,633,967)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:					
Instruction	\$ 652,765,593	\$ 617,213	\$ 156,722,963	\$ 8,656,092	\$ (486,769,325)
Instruction-related services:					
Supervision of instruction	60,137,910	1,067,429	31,719,454	-	(27,351,027)
Instructional library, media and technology	13,137,665	36	709,930	-	(12,427,699)
School site administration	69,816,120	251,652	9,916,504	-	(59,647,964)
Pupil services:					
Home-to-school transportation	20,227,079	-	1,980,594	-	(18,246,485)
Food services	57,540,198	129,004	52,174,605	-	(5,236,589)
All other pupil services	81,402,469	197,202	23,677,643	-	(57,527,624)
General administration:					
Data processing	12,216,841	102,180	429,168	-	(11,685,493)
All other general administration	36,193,861	374,889	10,100,636	-	(25,718,336)
Plant services	115,831,455	70,729	4,481,955	-	(111,278,771)
Ancillary services	25,436,698	46,873	5,657,898	-	(19,731,927)
Community services	3,999,233	2,814	1,457,305	-	(2,539,114)
Enterprise activities	2,913,956	226	305,595	-	(2,608,135)
Interest on long-term liabilities	32,535,335	-	-	-	(32,535,335)
Other outgo	7,300,193	39,892	726,345	-	(6,533,956)
Depreciation (unallocated) (Note 4)	<u>30,585,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,585,848)</u>
Total governmental and business-type activities	<u>\$ 1,222,040,454</u>	<u>\$ 2,900,139</u>	<u>\$ 300,060,595</u>	<u>\$ 8,656,092</u>	<u>(910,423,628)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					70,410,601
Taxes levied for debt service					45,581,577
Taxes levied for other specific purposes					381,775
Federal and state aid not restricted to specific purposes					718,171,650
Interest and investment earnings					12,999,727
Miscellaneous					<u>11,249,275</u>
Total general revenues					<u>858,794,605</u>
Change in net position					(51,629,023)
Net position, July 1, 2018					<u>(1,030,004,944)</u>
Net position, June 30, 2019					<u>\$ (1,081,633,967)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 195,533,902	\$ 25,470,141	\$ 53,538,939	\$ 41,292,201	\$ 17,147,837	\$ 332,983,020
Cash in revolving fund	78,366	-	-	-	550	78,916
Cash on hand and in banks	484,454	-	-	-	5,548,799	6,033,253
Collections awaiting deposit	-	-	-	-	6,530	6,530
Investments	-	-	-	123,304,851	-	123,304,851
Receivables	31,048,027	414,022	52,504	194,495	13,624,300	45,333,348
Prepaid expenditures	636,102	-	-	-	-	636,102
Due from other funds	8,121,188	-	10,925,019	-	6,817,847	25,864,054
Stores inventory	996,741	-	-	-	782,296	1,779,037
Total assets	<u>\$ 236,898,780</u>	<u>\$ 25,884,163</u>	<u>\$ 64,516,462</u>	<u>\$ 164,791,547</u>	<u>\$ 43,928,159</u>	<u>\$ 536,019,111</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 71,208,436	\$ 8,335	\$ 7,081,533	\$ -	\$ 4,568,347	\$ 82,866,651
Unearned revenue	7,398,005	-	-	-	680,739	8,078,744
Due to other funds	<u>2,041,230</u>	<u>11,777,919</u>	<u>759,668</u>	<u>-</u>	<u>11,418,648</u>	<u>25,997,465</u>
Total liabilities	<u>80,647,671</u>	<u>11,786,254</u>	<u>7,841,201</u>	<u>-</u>	<u>16,667,734</u>	<u>116,942,860</u>
Fund balances:						
Nonspendable	1,711,209	-	-	-	782,846	2,494,055
Restricted	15,292,834	14,097,909	56,675,261	164,791,547	26,477,579	277,335,130
Assigned	40,870,530	-	-	-	-	40,870,530
Unassigned	<u>98,376,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,376,536</u>
Total fund balances	<u>156,251,109</u>	<u>14,097,909</u>	<u>56,675,261</u>	<u>164,791,547</u>	<u>27,260,425</u>	<u>419,076,251</u>
Total liabilities and fund balances	<u>\$ 236,898,780</u>	<u>\$ 25,884,163</u>	<u>\$ 64,516,462</u>	<u>\$ 164,791,547</u>	<u>\$ 43,928,159</u>	<u>\$ 536,019,111</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2019

Total fund balances - Governmental Funds \$ 419,076,251

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,311,580,257 and the accumulated depreciation is \$442,460,969 (Note 4). 869,119,288

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, 2019 consisted of (Note 6):

General Obligation Bonds	\$	(619,290,323)	
Unamortized premiums		(17,645,283)	
Accreted interest		(62,681,256)	
PG&E energy savings loans		(143,175)	
Net OPEB liability (Note 10)		(1,019,255,291)	
Net pension liability (Notes 8 and 9)		(906,727,000)	
Compensated absences		<u>(3,038,141)</u>	
			(2,628,780,469)

Internal service funds are included in the government-wide financial statements. 30,898,973

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding of the debt. 2,946,167

In the governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources - pensions (Notes 8 and 9)	\$	295,513,222	
Deferred outflows of resources - OPEB (Note 10)		14,393	
Deferred inflows of resources - pensions (Notes 8 and 9)		(62,979,000)	
Deferred inflows of resources - OPEB (Note 10)		<u>(446,865)</u>	
			232,101,750

Unmatured interest on long-term liabilities is recognized in the period incurred. (6,995,927)

Total net position - governmental activities \$ (1,081,633,967)

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, 2019

	General Fund	Building Fund	County School Facilities Fund	Bond Interest Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 691,642,934	\$ -	\$ -	\$ -	\$ -	\$ 691,642,934
Local sources	<u>66,568,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,568,710</u>
Total LCFF	<u>758,211,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,211,644</u>
Federal sources	83,355,083	-	-	-	50,581,475	133,936,558
Other state sources	124,718,853	-	8,656,092	424,343	25,205,343	159,004,631
Other local sources	<u>18,695,408</u>	<u>1,674,078</u>	<u>408,410</u>	<u>52,396,485</u>	<u>4,227,549</u>	<u>77,401,930</u>
Total revenues	<u>984,980,988</u>	<u>1,674,078</u>	<u>9,064,502</u>	<u>52,820,828</u>	<u>80,014,367</u>	<u>1,128,554,763</u>
Expenditures:						
Current:						
Certificated salaries	406,074,731	-	-	-	8,710,308	414,785,039
Classified salaries	132,156,232	-	832,667	-	19,316,217	152,305,116
Employee benefits	274,611,664	-	387,835	-	18,026,425	293,025,924
Books and supplies	55,578,210	-	1,809,585	-	24,528,372	81,916,167
Contract services and operating expenditures	97,968,157	130,709	8,492,706	-	10,457,783	117,049,355
Other outgo	3,192,259	-	-	-	-	3,192,259
Capital outlay	10,716,950	-	49,626,388	-	1,742,152	62,085,490
Debt service:						
Principal retirement	90,216	-	-	27,499,233	-	27,589,449
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,974,685</u>	<u>-</u>	<u>20,974,685</u>
Total expenditures	<u>980,388,419</u>	<u>130,709</u>	<u>61,149,181</u>	<u>48,473,918</u>	<u>82,781,257</u>	<u>1,172,923,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,592,569</u>	<u>1,543,369</u>	<u>(52,084,679)</u>	<u>4,346,910</u>	<u>(2,766,890)</u>	<u>(44,368,721)</u>
Other financing sources (uses):						
Transfers in	10,378,899	-	60,984,940	-	7,323,267	78,687,106
Transfers out	<u>(7,892,451)</u>	<u>(68,308,207)</u>	<u>-</u>	<u>-</u>	<u>(3,055,632)</u>	<u>(79,256,290)</u>
Total other financing sources (uses)	<u>2,486,448</u>	<u>(68,308,207)</u>	<u>60,984,940</u>	<u>-</u>	<u>4,267,635</u>	<u>(569,184)</u>
Net change in fund balances	7,079,017	(66,764,838)	8,900,261	4,346,910	1,500,745	(44,937,905)
Fund balances, July 1, 2018	<u>149,172,092</u>	<u>80,862,747</u>	<u>47,775,000</u>	<u>160,444,637</u>	<u>25,759,680</u>	<u>464,014,156</u>
Fund balances, June 30, 2019	<u>\$ 156,251,109</u>	<u>\$ 14,097,909</u>	<u>\$ 56,675,261</u>	<u>\$ 164,791,547</u>	<u>\$ 27,260,425</u>	<u>\$ 419,076,251</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, 2019

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Net change in fund balances - Total Governmental Funds		\$ (44,937,905)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 86,661,867	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(30,585,848)	
In the 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).	633,072	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	27,589,449	
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(11,934,911)	
Interest on long-term liabilities is recognized in the period it is incurred, in the governmental funds it is only recognized when it is due.	82,365	
Activities of the internal service fund are reported with governmental activities.	1,670,439	
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	(431,392)	
In the governmental funds, OPEB is recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 10).	(37,615,712)	
In the governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	(42,304,658)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(455,789)</u>	<u>(6,691,118)</u>
Change in net position of governmental activities		<u>\$ (51,629,023)</u>

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See accompanying notes to financial statements.



FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
June 30, 2019

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**ASSETS**

Current assets:

Cash and investments (Note 2):	
Cash in County Treasury	\$ 97,488,775
Cash on hand and in banks	2,000,100
Receivables	480,819
Due from other funds (Note 3)	208,155
Prepaid expenditures	<u>1,289,716</u>
Total current assets	<u>101,467,565</u>

**LIABILITIES**

Current liabilities:

Accounts payable	11,360,014
Due to other funds (Note 3)	74,744
Self insurance claims liability (Note 5)	<u>59,133,834</u>
Total current liabilities	<u>70,568,592</u>

**NET POSITION**

Net position - unrestricted	<u><u>\$ 30,898,973</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
For the Year Ended June 30, 2019

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Operating revenues:	
Self-insurance premiums	<u>\$ 188,913,387</u>
Operating expenses:	
Classified salaries	1,396,494
Employee benefits	756,166
Books and supplies	53,296
Contract services	<u>185,257,445</u>
Total operating expenses	<u>187,463,401</u>
Operating income	<u>1,449,986</u>
Non-operating revenue (expense):	
Interest income	1,651,269
OPEB expense	<u>(2,000,000)</u>
Total non-operating revenue (expense)	(348,731)
Income before transfers	1,101,255
Transfers from other District funds	<u>569,184</u>
Change in net position	1,670,439
Net position, July 1, 2018	<u>29,228,534</u>
Net position, June 30, 2019	<u><u>\$ 30,898,973</u></u>

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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
For the Year Ended June 30, 2019

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Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 176,020,085
Cash received from user charges	12,799,889
Cash paid for employee benefits	(180,137,540)
Cash paid for salaries	(2,152,660)
Cash paid for other expenses	<u>(53,296)</u>
Net cash provided by operating activities	<u>6,476,478</u>
Cash flows used in noncapital financing activities:	
Transfers in from District funds	569,184
OPEB expense	<u>(2,000,000)</u>
Net cash used in noncapital financing activities	<u>(1,430,816)</u>
Cash flows provided by investing activities:	
Interest income received	<u>1,530,944</u>
Increase in cash and investments	6,576,606
Cash and investments, July 1, 2018	<u>92,912,269</u>
Cash and investments, June 30, 2019	<u>\$ 99,488,875</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,449,986</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in:	
Amount due from other funds	(93,413)
Prepaid expenditures	(232,541)
Increase (decrease) in:	
Accounts payable	4,788,386
Amount due to other funds	(205,422)
Unpaid claims and claim adjustment expenses	<u>769,482</u>
Total adjustments	<u>5,026,492</u>
Net cash provided by operating activities	<u>\$ 6,476,478</u>

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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
June 30, 2019

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	<u>Agency Fund Student Body Funds</u>
<b>ASSETS</b>	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 364,235
Cash on hand and in bank	1,631,962
Stores inventory	<u>100,800</u>
Total assets	<u>\$ 2,096,997</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 2,096,997</u>

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See accompanying notes to financial statements.

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

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

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

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

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

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

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

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

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

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

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

3 - County School Facilities Fund:

The County School Facilities Fund is a capital projects fund used to account for resources used for the acquisition of construction of major capital facilities and equipment, and primarily includes funds received from fees levied on developers or other agencies as a condition of approving a development project.

4 - Bond Interest and Redemption Fund:

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

B - Other Funds

1 - Special Revenue Funds:

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

2 - Capital Project Funds:

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

3 - Self Insurance Fund:

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

4 - Agency Fund:

The Agency Fund is a fiduciary fund for which the District acts as an agent. All activity and assets of the various Student Body Funds of the District are accounted for in the Agency Fund.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2019.

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

Capital Assets: Capital assets purchased or acquired, with an original cost of \$15,000 or more, or an original cost of \$5,000 or more when purchased with Federal resources, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

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.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

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

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 224,499,064</u>	<u>\$ 71,014,158</u>	<u>\$ 295,513,222</u>
Deferred inflows of resources	<u>\$ 59,409,000</u>	<u>\$ 3,570,000</u>	<u>\$ 62,979,000</u>
Net pension liability	<u>\$ 664,860,000</u>	<u>\$ 241,867,000</u>	<u>\$ 906,727,000</u>
Pension expense	<u>\$ 152,273,234</u>	<u>\$ 56,164,529</u>	<u>\$ 208,437,763</u>

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$3,038,141 is for the earned but unused benefits.

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

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

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(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

Net Position: Net position is displayed in three components:

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

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

**A - Nonspendable Fund Balance:**

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

**B - Restricted Fund Balance:**

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

**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, 2019, the District had no committed fund balances.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances. At June 30, 2019, the District had assigned a portion of the fund balance for the General Fund.

E - Unassigned Fund Balance:

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

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

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

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

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

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

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

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 2 - CASH AND INVESTMENTS**

District cash and investments at June 30, 2019 consisted of the following:

	Governmental Activities			Fiduciary
	Governmental Funds	Proprietary Fund	Total	Agency Fund
Pooled Funds:				
Cash in County Treasury	\$ 332,983,020	\$ 97,488,775	\$ 430,471,795	\$ 364,235
Deposits:				
Cash on hand and in banks	6,033,253	2,000,100	8,033,353	1,631,962
Cash in revolving fund	78,916	-	78,916	-
Collections awaiting deposits	6,530	-	6,530	-
Total deposits	6,118,699	2,000,100	8,118,799	1,631,962
Investments	123,304,851	-	123,304,851	-
Total cash and investments	\$ 462,406,570	\$ 99,488,875	\$ 561,895,445	\$ 1,996,197

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

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2019, the carrying amount of the District's accounts was \$9,692,369 and the bank balances were \$10,129,826. The total uninsured bank balance at June 30, 2019 was \$8,836,096.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2019, the carrying amount of the District's accounts was \$58,392 and the bank balance was \$50,019, all of which was insured.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

Investments: In October 2016, the District issued crossover refunding bonds and the bond proceeds were deposited into an irrevocable escrow fund to be funded, invested and held. Amounts held in the escrow fund will be applied to (a) pay interest due on the 2016 Refunding Bonds to and including the crossover date, and (b) on the crossover date, pay the redemption price of the refunded prior bonds. The amounts Investments at June 30, 2018 are reported at fair value and consisted of the following:

	<u>Rating</u>	<u>2019</u>
Investments:		
U.S. Treasury Notes	Aaa	\$ 122,843,776
Foreign Issues	N/A	<u>461,075</u>
Total investments		<u>\$ 123,304,851</u>

Investment security ratings reported as of June 30, 2019 are defined by Moody's.

The following presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2019, and indicates the fair value hierarchy of the valuation techniques utilized by the District to determine such fair value based on the hierarchy:

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

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

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

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

<u>Description</u>	<u>2019</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes	\$ 122,843,776	\$ -	\$ 122,843,776	\$ -
Foreign Issues	<u>461,075</u>	<u>-</u>	<u>461,075</u>	<u>-</u>
	<u>\$ 123,304,851</u>	<u>\$ -</u>	<u>\$ 123,304,851</u>	<u>\$ -</u>

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

The District had no non-recurring assets and no liabilities at June 30, 2019 which were required to be disclosed using the fair value hierarchy.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

Maturities of investments held at June 30, 2019 consist of the following:

	Maturity			
Fair Value	Less Than One Year	One Year through Five Years	Six Years through Ten Years	
Investment securities:				
U.S. Treasury Notes	\$ 122,843,776	\$ 1,955,860	\$ 120,887,916	\$ -
Foreign Issues	461,075	-	461,075	-
Total	\$ 123,304,851	\$ 1,955,860	\$ 121,348,991	\$ -

Investment Credit Risk: The District's investment policy limits investment choices to obligations of the United States Treasury, sweep accounts and trustee banks and guaranteed investment contracts. At June 30, 2019, all investments represented U.S. Treasury Notes and Foreign Issue Notes which were issued, registered and held by the Escrow Agent.

Concentration of Investment Credit Risk: At June 30, 2019, the District had \$122,843,776 in U.S. Treasury Notes which represented more than five percent of the District's total investments.

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

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2019, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2019, the District had no concentration of credit risk.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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**NOTE 3 - INTERFUND TRANSACTIONS**

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

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2019 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 8,121,188	\$ 2,041,230
Building	-	11,777,919
County School Facilities	10,925,019	759,668
Non-Major Funds:		
Adult Education	1,151,343	2,502,915
Child Development	520,364	2,415,942
Cafeteria	212,658	3,954,707
Deferred Maintenance	1,353,822	4,145
Capital Facilities	2,682,389	2,516,552
Special Reserve for Capital Outlay Projects	897,271	24,387
Proprietary Fund:		
Self-Insurance	<u>208,155</u>	<u>74,744</u>
Total	<u>\$ 26,072,209</u>	<u>\$ 26,072,209</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

Transfers for the 2018-2019 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 60,984,940
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation as received in the General Fund.	7,323,267
Transfer from the Building Fund to the General Fund to contribute to Restricted Routine Maintenance.	7,323,267
Transfer from the Cafeteria Fund to the General Fund for indirect cost.	2,118,881
Transfer from Child Development Fund to the General Fund for indirect costs.	660,311
Transfer from the General Fund to the Self-Insurance Fund to support District-provided healthcare plans.	569,184
Transfer from Adult Education Fund to the General Fund for indirect costs.	215,195
Transfer from Capital Facilities Fund to the General Fund for indirect costs.	<u>61,245</u>
	<u>\$ 79,256,290</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	Balance July 1, <u>2018</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2019</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 64,815,011	\$ -	\$ -	\$ 64,815,011
Work-in-process	64,096,250	84,875,047	20,539,711	128,431,586
Depreciable:				
Land improvements	87,289,919	9,201,520	-	96,491,439
Buildings	972,868,726	11,338,191	669,601	983,537,316
Equipment	<u>36,518,085</u>	<u>1,786,820</u>	<u>-</u>	<u>38,304,905</u>
Totals, at cost	<u>1,225,587,991</u>	<u>107,201,578</u>	<u>21,209,312</u>	<u>1,311,580,257</u>
Less accumulated depreciation:				
Land improvements	(44,847,683)	(4,168,736)	-	(49,016,419)
Buildings	(343,924,057)	(24,142,580)	(669,601)	(367,397,036)
Equipment	<u>(23,772,982)</u>	<u>(2,274,532)</u>	<u>-</u>	<u>(26,047,514)</u>
Total accumulated depreciation	<u>(412,544,722)</u>	<u>(30,585,848)</u>	<u>(669,601)</u>	<u>(442,460,969)</u>
Governmental activities capital assets, net	<u>\$ 813,043,269</u>	<u>\$ 76,615,730</u>	<u>\$ 20,539,711</u>	<u>\$ 869,119,288</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2019 as follows:

Governmental activities:	
Unallocated	<u>\$ 30,585,848</u>

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE 5 - SELF-INSURANCE**

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2019, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$350,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of \$1,818,770 is based on an actuarial projected estimate at June 30, 2019, discounted at 0.5%. The workers' compensation claims liability of \$37,543,179 is based on an actuarial projected estimate at June 30, 2019, discounted at 1.5%. The health claims liability of \$19,771,885 is based on an actuarial projected estimate at June 30, 2019, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the claims liability for the years ended June 30, 2019 and 2018 were as follows:

	<u>Property and Liability</u>	<u>Workers' Compen- sation</u>	<u>Health</u>	<u>Total</u>
Claims liability at June 30, 2017	\$ 1,323,166	\$ 36,150,333	\$ 18,792,876	\$ 56,266,375
Incurred claims	4,177,426	8,419,278	138,645,098	151,241,802
Paid claims	<u>(4,111,268)</u>	<u>(6,826,082)</u>	<u>(138,206,475)</u>	<u>(149,143,825)</u>
Claims liability at June 30, 2018	<u>1,389,324</u>	<u>37,743,529</u>	<u>19,231,499</u>	<u>58,364,352</u>
Incurred claims	5,043,222	6,380,203	170,899,138	182,322,563
Paid claims	<u>(4,613,776)</u>	<u>(6,580,553)</u>	<u>(170,358,752)</u>	<u>(181,553,081)</u>
Claims liability at June 30, 2019	<u>\$ 1,818,770</u>	<u>\$ 37,543,179</u>	<u>\$ 19,771,885</u>	<u>\$ 59,133,834</u>

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 6 - LONG-TERM LIABILITIES**

General Obligation Bonds

<u>Issue</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2018</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2019</u>
1999 Series C	4.5 - 5.125%	1999	2023	\$ 40,640,000	\$ 12,135,000	\$ -	\$ 2,590,000	\$ 9,545,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	35,085,000	-	3,810,000	31,275,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	29,065,000	-	2,815,000	26,250,000
2001 Series F	5.48%	2009	2026	29,429,022	18,859,539	-	1,944,233	16,915,306
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	6,525,000	-	1,310,000	5,215,000
2010 Measure Q Series A	4.726 - 5.876%	2011	2030	29,561,373	28,861,373	-	-	28,861,373
2001 Measure K Series G	5.39 - 11.814%	2011	2042	55,570,915	55,570,915	-	-	55,570,915
2010 Measure Q Series B	2.0 - 5.25%	2011	2042	50,434,849	43,079,849	-	685,000	42,394,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	33,615,000	-	2,180,000	31,435,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	15,720,000	-	4,750,000	10,970,000
2010 Measure Q Series C	2% - 5.5%	2012	2047	54,997,540	45,105,385	-	-	45,105,385
2010 Measure Q Series D	3.56% - 5.11%	2014	2048	59,996,789	54,306,789	-	-	54,306,789
2015 GO Refunding Bonds	2.0% - 5.0%	2015	2031	14,555,000	13,085,000	-	635,000	12,450,000
2010 Series E Current Interest	2.0% - 5.0%	2015	2046	49,565,000	44,385,000	-	330,000	44,055,000
2010 Series E Capital Appreciation	2.0% - 5.0%	2015	2032	5,433,095	5,433,095	-	-	5,433,095
2016 GO Refunding Series A	3.13% - 3.6%	2016	2042	60,480,000	60,480,000	-	-	60,480,000
2010 Series F	2.0% - 4.0%	2016	2042	30,010,000	25,890,000	-	-	25,890,000
2016 GO Refunding Series B	4.0% - 5.0%	2016	2047	59,590,988	59,590,988	-	-	59,590,988
2016 Series A Current Interest	2.0% - 5.0%	2018	2044	38,500,000	38,500,000	-	6,450,000	32,050,000
2016 Series A Capital Appreciation	2.0% - 5.0%	2018	2038	21,496,623	21,496,623	-	-	21,496,623
				<u>\$ 807,111,194</u>	<u>\$ 646,789,556</u>	<u>\$ -</u>	<u>\$ 27,499,233</u>	<u>\$ 619,290,323</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,740,000	\$ 543,242	\$ 3,283,242
2121	2,910,000	380,255	3,290,255
2022	3,075,000	207,090	3,282,090
2023	<u>820,000</u>	<u>24,190</u>	<u>844,190</u>
	<u>\$ 9,545,000</u>	<u>\$ 1,154,777</u>	<u>\$ 10,699,777</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,060,000	\$ 1,866,300	\$ 5,926,300
2021	4,305,000	1,622,100	5,927,100
2022	4,580,000	1,363,200	5,943,200
2023	4,880,000	1,087,800	5,967,800
2024	5,180,000	794,400	5,974,400
2025-2027	<u>8,270,000</u>	<u>642,000</u>	<u>8,912,000</u>
	<u>\$ 31,275,000</u>	<u>\$ 7,375,800</u>	<u>\$ 38,650,800</u>

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,960,000	\$ 1,339,926	\$ 4,299,926
2021	3,120,000	1,191,676	4,311,676
2022	3,275,000	1,035,426	4,310,426
2023	3,425,000	871,426	4,296,426
2024	3,585,000	699,301	4,284,301
2025-2028	<u>9,885,000</u>	<u>922,948</u>	<u>10,807,948</u>
	<u>\$ 26,250,000</u>	<u>\$ 6,060,703</u>	<u>\$ 32,310,703</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,049,242	\$ 871,127	\$ 2,920,369
2021	2,160,006	755,752	2,915,758
2022	2,276,840	634,138	2,910,978
2023	2,400,086	505,943	2,906,029
2024	2,530,083	370,807	2,900,890
2025-2026	<u>5,499,049</u>	<u>305,971</u>	<u>5,805,020</u>
	<u>\$ 16,915,306</u>	<u>\$ 3,443,738</u>	<u>\$ 20,359,044</u>

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a total 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, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,345,000	\$ 161,125	\$ 1,506,125
2021	1,385,000	120,175	1,505,175
2022	1,420,000	71,000	1,491,000
2023	<u>1,065,000</u>	<u>21,300</u>	<u>1,086,300</u>
	<u>\$ 5,215,000</u>	<u>\$ 373,600</u>	<u>\$ 5,588,600</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 1,154,455	\$ 1,154,455
2021	-	1,154,455	1,154,455
2022	-	1,154,455	1,154,455
2023	2,246,998	1,109,515	3,356,513
2024	2,769,658	1,009,181	3,778,839
2025-2029	18,979,458	3,052,659	22,032,117
2030	<u>4,865,259</u>	<u>97,305</u>	<u>4,962,564</u>
	<u>\$ 28,861,373</u>	<u>\$ 8,732,025</u>	<u>\$ 37,593,398</u>

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	50,648	50,648
2022	48,704	388,145	436,849
2023	275,006	558,909	833,915
2024	507,177	564,731	1,071,908
2025-2029	9,893,783	19,829,233	29,723,016
2030-2034	18,419,853	55,671,643	74,091,496
2035-2039	17,355,677	80,119,620	97,475,297
2040-2042	<u>9,070,715</u>	<u>47,704,347</u>	<u>56,775,062</u>
	<u>\$ 55,570,915</u>	<u>\$ 204,887,276</u>	<u>\$ 260,458,191</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,190,000	\$ 761,050	\$ 1,951,050
2021	2,310,000	691,050	3,001,050
2022	3,585,000	573,150	4,158,150
2023	3,015,000	426,075	3,441,075
2024	3,155,000	267,881	3,422,881
2025-2027	<u>6,669,116</u>	<u>4,478,415</u>	<u>11,147,531</u>
	<u>\$ 19,924,116</u>	<u>\$ 7,197,621</u>	<u>\$ 27,121,737</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028-2029	\$ 2,755,265	\$ 5,074,735	\$ 7,830,000
2030-2034	8,413,045	23,681,955	32,095,000
2035-2039	7,420,489	33,402,159	40,822,648
2040-2042	<u>3,881,934</u>	<u>24,278,460</u>	<u>28,160,394</u>
	<u>\$ 22,470,733</u>	<u>\$ 86,437,309</u>	<u>\$ 108,908,042</u>

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,285,000	\$ 1,217,531	\$ 3,502,531
2021	2,365,000	1,112,906	3,477,906
2022	1,690,000	1,021,669	2,711,669
2023	1,775,000	943,706	2,718,706
2024	3,360,000	853,368	4,213,368
2025-2029	15,375,000	2,372,821	17,747,821
2030-2031	<u>4,585,000</u>	<u>173,344</u>	<u>4,758,344</u>
	<u>\$ 31,435,000</u>	<u>\$ 7,695,345</u>	<u>\$ 39,130,345</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,890,000	\$ 276,775	\$ 5,166,775
2021	3,750,000	142,487	3,892,487
2022	<u>2,330,000</u>	<u>40,775</u>	<u>2,370,775</u>
	<u>\$ 10,970,000</u>	<u>\$ 460,037</u>	<u>\$ 11,430,037</u>

The annual payments required to amortize the 2010 Measure Q, Series C, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 1,707,200	\$ 1,707,200
2021	-	1,707,200	1,707,200
2022	-	1,707,200	1,707,200
2023	-	1,707,200	1,707,200
2024	-	1,707,200	1,707,200
2025-2029	-	8,536,000	8,536,000
2030-2034	3,162,581	15,413,419	18,576,000
2035-2039	3,648,340	21,022,659	24,670,999
2040-2044	5,516,069	40,929,573	46,445,642
2045-2047	<u>32,778,395</u>	<u>15,934,231</u>	<u>48,712,626</u>
	<u>\$ 45,105,385</u>	<u>\$ 110,371,882</u>	<u>\$ 155,477,267</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The annual payments required to amortize the 2010 GO Bond Series D, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 1,897,400	\$ 1,897,400
2021	-	1,897,400	1,897,400
2022	-	1,897,400	1,897,400
2023	-	1,897,400	1,897,400
2024	-	1,897,400	1,897,400
2025-2029	-	9,487,000	9,487,000
2030-2034	3,721,162	14,200,838	17,922,000
2035-2039	4,711,957	18,735,043	23,447,000
2040-2044	11,893,670	10,919,780	22,813,450
2045-2048	<u>33,980,000</u>	<u>3,846,500</u>	<u>37,826,500</u>
	<u>\$ 54,306,789</u>	<u>\$ 66,676,161</u>	<u>\$ 120,982,950</u>

The annual payments required to amortize the 2015 Refunding General Obligation Bonds, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 655,000	\$ 392,100	\$ 1,047,100
2021	660,000	365,800	1,025,800
2022	685,000	345,750	1,030,750
2023	735,000	320,525	1,055,525
2024	765,000	293,544	1,058,544
2025-2029	5,820,000	966,694	6,786,694
2030-2031	<u>3,130,000</u>	<u>93,450</u>	<u>3,223,450</u>
	<u>\$ 12,450,000</u>	<u>\$ 2,777,863</u>	<u>\$ 15,227,863</u>

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The annual payments required to amortize the 2010 Series E, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,065,000	\$ 1,798,719	\$ 2,863,719
2021	1,775,000	1,727,719	3,502,719
2022	1,380,000	1,648,844	3,028,844
2023	-	1,614,344	1,614,344
2024	-	1,614,344	1,614,344
2025-2029	-	8,071,719	8,071,719
2030-2034	2,145,000	7,996,228	10,141,228
2035-2039	7,815,000	6,985,963	14,800,963
2040-2044	18,850,000	4,515,322	23,365,322
2045-2046	<u>11,025,000</u>	<u>462,308</u>	<u>11,487,308</u>
	<u>\$ 44,055,000</u>	<u>\$ 36,435,510</u>	<u>\$ 80,490,510</u>

The annual payments required to amortize the 2010 Series E, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2028	\$ 3,597,937	\$ 1,812,063	\$ 5,410,000
2029-2032	<u>1,835,158</u>	<u>1,639,842</u>	<u>3,475,000</u>
	<u>\$ 5,433,095</u>	<u>\$ 3,451,905</u>	<u>\$ 8,885,000</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

The annual payments required to amortize the 2016 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 2,475,850	\$ 2,475,850
2021	-	2,475,850	2,475,850
2022	-	2,475,850	2,475,850
2023	-	2,475,850	2,475,850
2024	-	2,475,850	2,475,850
2025-2029	-	12,379,250	12,379,250
2030-2034	12,870,000	11,258,625	24,128,625
2035-2039	25,715,000	7,143,100	32,858,100
2040-2042	<u>21,895,000</u>	<u>1,362,500</u>	<u>23,257,500</u>
	<u>\$ 60,480,000</u>	<u>\$ 44,522,725</u>	<u>\$ 105,002,725</u>

The annual payments required to amortize the 2010 Election of 2010, Series F, outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 840,050	\$ 840,050
2021	-	840,050	840,050
2022	-	840,050	840,050
2023	-	840,050	840,050
2024	-	840,050	840,050
2025-2029	-	4,200,250	4,200,250
2030-2034	6,700,000	3,736,000	10,436,000
2035-2039	10,625,000	2,126,600	12,751,600
2040-2042	<u>8,565,000</u>	<u>404,325</u>	<u>8,969,325</u>
	<u>\$ 25,890,000</u>	<u>\$ 14,667,425</u>	<u>\$ 40,557,425</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The annual payments required to amortize the 2016 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 1,649,600	\$ 1,649,600
2021	-	1,649,600	1,649,600
2022	-	1,649,600	1,649,600
2023	-	1,649,600	1,649,600
2024	-	1,649,600	1,649,600
2025-2029	-	8,248,000	8,248,000
2030-2034	2,247,152	9,700,848	11,948,000
2035-2039	4,103,434	12,349,566	16,453,000
2040-2044	12,000,402	26,212,598	38,213,000
2045-2047	<u>41,240,000</u>	<u>2,563,800</u>	<u>43,803,800</u>
	<u>\$ 59,590,988</u>	<u>\$ 67,322,812</u>	<u>\$ 126,913,800</u>

The annual payments required to amortize the 2016 Series A, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 1,474,300	\$ 1,474,300
2021	-	1,474,300	1,474,300
2022	-	1,474,300	1,474,300
2023	-	1,474,300	1,474,300
2024	-	1,474,300	1,474,300
2025-2029	-	7,371,500	7,371,500
2030-2034	-	7,371,500	7,371,500
2035-2039	4,170,000	7,267,250	11,437,250
2040-2044	<u>27,880,000</u>	<u>3,234,800</u>	<u>31,114,800</u>
	<u>\$ 32,050,000</u>	<u>\$ 32,616,550</u>	<u>\$ 64,666,550</u>

The annual payments required to amortize the 2016 Series A, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2028	\$ 3,955,653	\$ 1,489,347	\$ 5,445,000
2029-2033	9,848,928	6,476,072	16,325,000
2034-2038	<u>7,692,042</u>	<u>8,522,958</u>	<u>16,215,000</u>
	<u>\$ 21,496,623</u>	<u>\$ 16,488,377</u>	<u>\$ 37,985,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

Year Ending <u>June 30,</u>	Annual <u>Payments</u>
2020	\$ 90,216
2021	51,804
2022	<u>1,155</u>
Total payments remaining	<u>\$ 143,175</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2019 is shown below:

<u>Governmental Activities</u>	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2019</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 646,789,556	\$ -	\$ 27,499,233	\$ 619,290,323	\$ 23,239,242
Unamortized premiums	18,278,355	-	633,072	17,645,283	653,002
Accreted interest	50,746,345	11,934,911	-	62,681,256	-
PG&E energy savings loans	233,391	-	90,216	143,175	90,216
Net OPEB liability (Note 10)	982,091,241	37,164,050	-	1,019,255,291	-
Net pension liability (Notes 8 and 9)	822,376,000	84,351,000	-	906,727,000	-
Compensated absences	<u>2,582,352</u>	<u>455,789</u>	<u>-</u>	<u>3,038,141</u>	<u>-</u>
Totals	<u>\$ 2,523,097,240</u>	<u>\$ 133,905,750</u>	<u>\$ 28,222,521</u>	<u>\$ 2,628,780,469</u>	<u>\$ 23,982,460</u>

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 7 - FUND BALANCES**

Fund balances, by category, at June 30, 2019 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 78,366	\$ -	\$ -	\$ -	\$ 550	\$ 78,916
Prepaid expenditures	636,102	-	-	-	-	636,102
Stores inventory	<u>996,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,296</u>	<u>1,779,037</u>
Subtotal nonspendable	<u>1,711,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,846</u>	<u>2,494,055</u>
Restricted:						
Legally restricted programs	15,292,834	-	-	-	19,798,457	35,091,291
Capital projects	-	14,097,909	56,675,261	-	6,679,122	77,452,292
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,791,547</u>	<u>-</u>	<u>164,791,547</u>
Subtotal restricted	<u>15,292,834</u>	<u>14,097,909</u>	<u>56,675,261</u>	<u>164,791,547</u>	<u>26,477,579</u>	<u>277,335,130</u>
Assigned:						
Textbook Adoption	16,870,000	-	-	-	-	16,870,000
One-time salary increases	6,000,000	-	-	-	-	6,000,000
Design Science Facility	5,868,420	-	-	-	-	5,868,420
High School Pools	3,773,810	-	-	-	-	3,773,810
Ongoing Routine Maintenance	2,950,000	-	-	-	-	2,950,000
CTE Facility	1,000,000	-	-	-	-	1,000,000
Early Learning Restrooms	737,270	-	-	-	-	737,270
Extended day school	644,345	-	-	-	-	644,345
Other assignments	<u>3,026,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,026,685</u>
Subtotal assigned	<u>40,870,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,870,530</u>
Unassigned:						
Designated for economic uncertainty	<u>98,376,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,376,536</u>
Total fund balances	<u>\$ 156,251,109</u>	<u>\$ 14,097,909</u>	<u>\$ 56,675,261</u>	<u>\$ 164,791,547</u>	<u>\$ 27,260,425</u>	<u>\$ 419,076,251</u>

(Continued)

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

*General Information about the State Teachers' Retirement Plan*

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

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

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

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

*CalSTRS 2% at 60*

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

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

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

*CalSTRS 2% at 62*

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

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

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

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

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2018-2019. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2018-2019.

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

*Employers* – 16.28 percent of applicable member earnings.

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

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

The CalSTRS employer contribution rate increases effective for fiscal year 2018-2019 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

\* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$65,539,064 to the plan for the fiscal year ended June 30, 2019.

*State* - 9.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2018-2019 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(1)	2.50%	9.828%
July 2019 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(2)

(1) In May 2018 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(2) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.

(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary to address any remaining 1990 unfunded actuarial obligation.

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 664,860,000
State's proportionate share of the net pension liability associated with the District	<u>380,665,000</u>
Total	<u>\$ 1,045,525,000</u>

The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2018, the District's proportion was 0.723 percent, which was an increase of 0.059 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$152,273,234 and revenue of \$68,680,860 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,062,000	\$ 9,657,000
Changes of assumptions	103,288,000	-
Net differences between projected and actual earnings on investments	-	25,601,000
Changes in proportion and differences between District contributions and proportionate share of contributions	53,610,000	24,151,000
Contributions made subsequent to measurement date	<u>65,539,064</u>	<u>-</u>
Total	<u>\$ 224,499,064</u>	<u>\$ 59,409,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

\$65,539,064 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ 29,938,650
2021	\$ 20,344,650
2022	\$ 2,897,650
2023	\$ 15,658,983
2024	\$ 24,086,733
2025	\$ 6,624,334

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>
Consumer price inflation	2.75%	2.75%
Investment rate of return	7.10%	7.10%
Wage growth	3.50%	3.50%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$973,943,000</u>	<u>\$664,860,000</u>	<u>\$408,601,000</u>

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

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

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

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf>

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2019 were as follows:

*Members* - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2018-2019.

*Employers* - The employer contribution rate was 18.062 percent of applicable member earnings.

The District contributed \$23,633,158 to the plan for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$241,867,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2018, the District's proportion was 0.907 percent, which was an increase of 0.034 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$56,164,529 and revenue of \$8,189,897 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 15,856,000	\$ -
Changes of assumptions	24,149,000	-
Net differences between projected and actual earnings on investments	1,984,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,392,000	3,570,000
Contributions made subsequent to measurement date	<u>23,633,158</u>	<u>-</u>
Total	<u>\$ 71,014,158</u>	<u>\$ 3,570,000</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

\$23,633,158 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ 25,426,000
2021	\$ 18,513,000
2022	\$ 1,299,500
2023	\$ (1,427,500)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10 (1)</u>	<u>Expected Real Rate of Return Years 11+(2)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	13	3.75	4.93
Liquidity	1	-	(0.92)

\* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period

(2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 352,146,000</u>	<u>\$ 241,867,000</u>	<u>\$ 150,374,000</u>

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

*General Information about the Other Postemployment Benefits (OPEB) Plan*

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides postemployment health care benefits to eligible employees and their dependents under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements.

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

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

Benefits Provided: District employees hired before July 1, 2005, who retire after attaining age 57.5 and completing a requisite period of service, may receive District-paid medical and prescription drug coverage for life (with continuation to the surviving spouse, if any), and subject to retiree contributions shown in the table below. The requisite service is 10 years if hired before January 1, 1982 (July 1, 1982 for Classified), 16 years if hired between January 1, 1982 and July 1, 1994 (but 10 years if rehired with a pre-1982 original date of hire), and 16 years for those hired or re-hired after July 1, 1994 (but before July 1, 2005).

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

District employees hired on or after July 1, 2005, who retire after attaining age 60 and completing at least 25 years of service, receive District-paid coverage for the earlier of 5 years or until age 65. These benefits are also subject to retiree contributions, described below.

The District began collecting retiree contributions in July 2006. Retiree contributions will be charged only to individuals retiring after August 31, 2006.

The schedule for determining a retiree's monthly contributions (including Health Assessment Fees of \$10, where applicable) is shown in the following table:

Retiree Age	Retiree	Spouse <65	Spouse 65-74	Spouse 75+	Child	Family
Under 65	\$170	\$60	\$60	\$60	\$15	\$70
Ages 65 - 74	\$10	\$10	\$10	\$-	\$10 each	N/A
Ages 75 +	\$-	\$10	\$10	\$-	10	N/A

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2019:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	4,943
Active employees	<u>6,937</u>
	<u>11,880</u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Contributions to the Plan from the District were \$40,044,893 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

OPEB Plan Investments: The plan discount rate of 6.0% was determined using the following asset allocation and assumed rate of return:

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	40.0%	5.5%
Fixed Income	43.0	1.5
Treasury Inflation-Protected Securities	0.5	1.2
Real Estate	8.0	3.7
Commodities	4.0	0.6

\*Geometric average

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Money-weighted rate of return on OPEB plan investments 6.98%

The money-weighted rate of return expresses investment performance, net of OPEB plan investment expenses, adjusted for the changing amounts actually invested.

Actuarial Assumptions: The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to determine the liability between the valuation and measurement dates.

<u>Valuation Date</u>	July 1, 2017
<u>Pre-Retirement Mortality Rate</u>	RP 2014 Employee Mortality Table, without projection
<u>Post-Retirement Mortality Rate</u>	RP 2014 Health Annuitant Mortality Table, without projection
<u>Discount Rate as of 6/30/2019</u>	6.0%. Based on the long-term expected rate of return
<u>Investment Rate of Return</u>	6.0%
<u>Retirement Rate</u>	CalPERS (2014) and CalSTRS (2010) experience studies.
<u>Healthcare cost trend rate</u>	5.0% for 2018 and later years
<u>Salary Increases</u>	3.0% per year
<u>Termination Rate</u>	CalPERS (2014) and CalSTRS (2010) experience studies.
<u>Percent of Retirees with Spouses</u>	Future Retirees <65: 67% Future Retirees >65: 50%
<u>Percent of Retirees with Eligible Dependents</u>	Future Retirees: In proportion to current retirees Current Retirees: Actual dependent data was used
<u>Funding Method</u>	Entry Age Cost Method

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2018	<u>\$ 1,024,167,885</u>	<u>\$ 42,076,644</u>	<u>\$ 982,091,241</u>
Changes for the year:			
Service cost	19,974,255	-	19,974,255
Interest	60,369,696	-	60,369,696
Employer contributions	-	40,044,893	(40,044,893)
Net investment income	-	3,172,151	(3,172,151)
Administrative expense	-	(37,143)	37,143
Benefit payments	<u>(36,544,893)</u>	<u>(36,544,893)</u>	<u>-</u>
Net change	43,799,058	6,635,008	37,164,050
Balance, June 30, 2019	<u>\$ 1,067,966,943</u>	<u>\$ 48,711,652</u>	<u>\$ 1,019,255,291</u>

Fiduciary Net Position as a % of the Total OPEB Liability, at June 30, 2019: 4.56%

Sensitivity of the Net OPEB Liability to Assumptions: The following presents the net OPEB liability calculated using the discount rate of 6.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.0 percent) and 1 percent higher (7.0):

	Discount Rate 1% Lower (5.0%)	Valuation Discount Rate (6.0%)	Discount Rate 1% Higher (7.0%)
Net OPEB liability	<u>\$1,172,670,255</u>	<u>\$1,019,255,291</u>	<u>\$ 893,382,378</u>

The following table presents the net OPEB liability calculated using the health care cost trend rate of 6.0 - 5.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (5.0 - 4.0 percent) and 1 percent higher (7.0 - 6.0 percent):

	Health Care Trend Rate 1% Lower (5.0% - 4.0%)	Valuation Health Care Trend Rate (6.0 - 5.0%)	Health Care Trend Rate 1% Higher (7.0 - 6.0%)
Net OPEB liability	<u>\$ 867,034,048</u>	<u>\$1,019,255,291</u>	<u>\$1,208,145,218</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

*OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2019, the District recognized OPEB expense of \$77,660,605. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on investments	\$ 14,393	\$ 446,865
Total	<u>\$ 14,393</u>	<u>\$ 446,865</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ (106,919)
2021	\$ (106,919)
2022	\$ (106,917)
2023	\$ (111,717)

Deferred outflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

**NOTE 11 - JOINT POWERS AGREEMENT**

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2018 (the most recent information available):

Total assets	\$ 77,991,098
Deferred outflows of resources	\$ 14,591,834
Total liabilities	\$ 90,983,960
Net position	\$ 1,598,972
Total revenues	\$ 4,348,507
Total expenses	\$ 3,960,943

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.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE 12 - CONTINGENCIES**

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

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

Construction Commitments: As of June 30, 2019, the District had approximately \$31.4 million in outstanding commitments on construction contracts.

**NOTE 13 - FINANCIAL RESPONSIBILITY**

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

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

The District continues to maintain a positive reserve in the current and future years as shown in the 2018/19 adopted budget and includes a conservative reserve to plan for the implementation of the Local Control Funding Formula. The District has maintained a positive financial position since 2006/07 as reflected by Moody's continued affirmation of the District's credit rating of Aa3 since 2010 during a time when other agencies have been lowered.

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

**NOTE 14 - SUBSEQUENT EVENTS**

On August 22, 2019 the District issued Election of 2016 Series B General Obligation Bonds (2016 Series B Bonds), totaling \$75,000,000. The 2016 Series B Bonds were issued to finance the repair, upgrade, acquisition, construction and/or equipping of various District properties. The 2016 Series B Bonds bear interest at rates ranging from 3.0% to 4.0%, and are scheduled to mature through August 1, 2043.

On October 10, 2019 the District issued Election of 2019 General Obligation Refunding Bonds (2019 Refunding Bonds), totaling \$103,738,005. Proceeds from the issuance of the 2019 Refunding Bonds will be used for the advance refunding, on a crossover basis, certain maturities of the District's Election of 2001 Series G Capital Appreciation General Obligation Bonds. The 2019 Refunding Bonds were issued as capital appreciation bonds and bear interest at rates ranging from 2.317% to 3.756%. The 2019 Refunding Bonds are scheduled to mature through August 1, 2041.

**REQUIRED SUPPLEMENTARY INFORMATION**

FRESNO UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 688,319,605	\$ 697,069,831	\$ 691,642,934	\$ (5,426,897)
Local sources	<u>60,734,252</u>	<u>60,734,252</u>	<u>66,568,710</u>	<u>5,834,458</u>
Total LCFF	<u>749,053,857</u>	<u>757,804,083</u>	<u>758,211,644</u>	<u>407,561</u>
Federal sources	86,132,620	107,136,325	83,355,083	(23,781,242)
Other state sources	127,076,116	122,100,932	124,718,853	2,617,921
Other local sources	<u>14,378,687</u>	<u>20,749,851</u>	<u>18,695,408</u>	<u>(2,054,443)</u>
Total revenues	<u>976,641,280</u>	<u>1,007,791,191</u>	<u>984,980,988</u>	<u>(22,810,203)</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	412,363,104	419,144,772	406,074,731	13,070,041
Classified salaries	128,809,416	132,156,463	132,156,232	231
Employee benefits	273,708,226	275,556,134	274,611,664	944,470
Books and supplies	60,975,130	69,088,791	55,578,210	13,510,581
Contract services and operating expenditures	110,714,864	101,937,388	97,968,157	3,969,231
Other outgo	3,697,102	3,478,902	3,192,259	286,643
Capital outlay	21,306,864	27,665,110	10,716,950	16,948,160
Debt service:				
Principal retirement	<u>90,216</u>	<u>90,216</u>	<u>90,216</u>	<u>-</u>
Total expenditures	<u>1,011,664,922</u>	<u>1,029,117,776</u>	<u>980,388,419</u>	<u>48,729,357</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(35,023,642)</u>	<u>(21,326,585)</u>	<u>4,592,569</u>	<u>25,919,154</u>
<b>Other financing sources (uses):</b>				
Transfers in	6,624,682	14,120,507	10,378,899	(3,741,608)
Transfers out	<u>(5,527,465)</u>	<u>(16,140,606)</u>	<u>(7,892,451)</u>	<u>8,248,155</u>
Total other financing sources (uses)	<u>1,097,217</u>	<u>(2,020,099)</u>	<u>2,486,448</u>	<u>4,506,547</u>
Net change in fund balance	(33,926,425)	(23,346,684)	7,079,017	30,425,701
Fund balance, July 1, 2018	<u>149,172,092</u>	<u>149,172,092</u>	<u>149,172,092</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 115,245,667</u>	<u>\$ 125,825,408</u>	<u>\$ 156,251,109</u>	<u>\$ 30,425,701</u>

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
For the Year Ended June 30, 2019

	Last 10 Fiscal Years	
	2018	2019
Total OPEB liability		
Service Cost	\$ 19,392,480	\$ 19,974,255
Interest	57,806,121	60,369,696
Benefit payments	(32,459,314)	(36,544,893)
Net change in total OPEB liability	44,739,287	43,799,058
Total OPEB liability, beginning of year	979,428,598	1,024,167,885
Total OPEB liability, end of year (a)	\$ 1,024,167,885	\$ 1,067,966,943
Plan fiduciary net position		
Employer contributions	\$ 35,959,314	\$ 40,044,893
Expected interest income	2,250,968	3,172,151
Administrative expense	(33,150)	(37,143)
Benefits payment	(32,459,314)	(36,544,893)
Change in plan fiduciary net position	5,717,818	6,635,008
Fiduciary trust net position, beginning of year	36,358,826	42,076,644
Fiduciary trust net position, end of year (b)	\$ 42,076,644	\$ 48,711,652
Net OPEB liability, ending (a) - (b)	\$ 982,091,241	\$ 1,019,255,291
Covered-employee payroll	\$ 550,120,072	\$ 568,497,726
Fiduciary trust net position as a percentage of the total OPEB liability	4.11%	4.56%
Net OPEB liability as a percentage of covered-employee payroll	178.52%	179.29%

*This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.*



FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF MONEY-WEIGHTED RATE  
OF RETURN OF OPEB PLAN INVESTMENTS  
For the Year Ended June 30, 2019

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Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>
Money-weighted rate of return on OPEB plan investments	6.01%	6.98%

*This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.*

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See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.666%	0.696%	0.679%	0.664%	0.723%
District's proportionate share of the net pension liability	\$389,455,000	\$468,883,000	\$549,121,000	\$613,982,000	\$ 664,860,000
State's proportionate share of the net pension liability associated with the District	<u>235,171,000</u>	<u>247,987,000</u>	<u>312,634,000</u>	<u>363,228,000</u>	<u>380,665,000</u>
Total net pension liability	<u>\$624,626,000</u>	<u>\$716,870,000</u>	<u>\$861,755,000</u>	<u>\$977,210,000</u>	<u>\$1,045,525,000</u>
District's covered payroll	\$296,840,000	\$323,258,000	\$338,357,000	\$351,408,000	\$ 385,079,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.72%	172.66%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%

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

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2019

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.845%	0.905%	0.919%	0.873%	0.907%
District's proportionate share of the net pension liability	\$ 95,928,000	\$ 133,463,000	\$ 181,422,000	\$ 208,394,000	\$ 241,867,000
District's covered payroll	\$ 88,704,000	\$ 100,241,000	\$ 110,204,000	\$ 111,303,000	\$ 119,649,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.23%	202.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	74.02%	73.89%	71.87%	70.85%

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

All years prior to 2015 are not available.

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See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2019

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 28,705,329	\$ 36,305,716	\$ 44,207,146	\$ 54,886,374	\$ 65,539,064
Contributions in relation to the contractually required contribution	<u>(28,705,329)</u>	<u>(36,305,716)</u>	<u>(44,207,146)</u>	<u>(54,886,374)</u>	<u>(65,539,064)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$323,258,000	\$338,357,000	\$351,408,000	\$380,363,000	\$402,574,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%

All years prior to 2015 are not available.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2019

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 11,799,345	\$ 13,055,815	\$ 15,457,728	\$ 19,123,632	\$ 23,633,158
Contributions in relation to the contractually required contribution	<u>(11,799,345)</u>	<u>(13,055,815)</u>	<u>(15,457,728)</u>	<u>(19,123,632)</u>	<u>(23,633,158)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$100,241,000	\$110,204,000	\$111,303,000	\$123,132,000	\$130,845,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

All years prior to 2015 are not available.

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See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 June 30, 2019

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**NOTE 1 - PURPOSE OF SCHEDULES**

**A - Budgetary Comparison Schedule**

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

**B - Schedule of Changes in Net Other Postemployment Benefits (OPEB) liability**

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

**C - Schedule of Money-Weighted Rate of Return of OPEB Plan Investments**

The Schedule of Money-Weighted Rate of Return of OPEB Plan Investments presents the weighted average rate of return for the District's OPEB Plan investments.

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

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

**E - Schedule of District Contributions**

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

**F - Changes of Benefit Terms**

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

**G - Changes of Assumptions**

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>			
	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.75%	3.75%

**SUPPLEMENTARY INFORMATION**

FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2019

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
<b>ASSETS</b>							
Cash in County Treasury	\$ 670,349	\$ 2,582,410	\$ 7,909,005	\$ 71,803	\$ 2,403,357	\$ 3,510,913	\$ 17,147,837
Cash on hand and in banks	4,923	-	5,543,876	-	-	-	5,548,799
Cash in revolving fund	550	-	-	-	-	-	550
Cash collections awaiting deposit	-	-	-	-	6,530	-	6,530
Receivables	1,508,266	33,906	12,031,614	15,595	12,852	22,067	13,624,300
Due from other funds	1,151,343	520,364	212,658	1,353,822	2,682,389	897,271	6,817,847
Stores inventory	-	-	782,296	-	-	-	782,296
	<u>-</u>	<u>-</u>	<u>782,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,296</u>
Total assets	<u>\$ 3,335,431</u>	<u>\$ 3,136,680</u>	<u>\$ 26,479,449</u>	<u>\$ 1,441,220</u>	<u>\$ 5,105,128</u>	<u>\$ 4,430,251</u>	<u>\$ 43,928,159</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 61,044	\$ 44,527	\$ 2,710,383	\$ 1,437,075	\$ 126,349	\$ 188,969	\$ 4,568,347
Unearned revenue	4,528	676,211	-	-	-	-	680,739
Due to other funds	<u>2,502,915</u>	<u>2,415,942</u>	<u>3,954,707</u>	<u>4,145</u>	<u>2,516,552</u>	<u>24,387</u>	<u>11,418,648</u>
Total liabilities	<u>2,568,487</u>	<u>3,136,680</u>	<u>6,665,090</u>	<u>1,441,220</u>	<u>2,642,901</u>	<u>213,356</u>	<u>16,667,734</u>
Fund balances:							
Nonspendable	550	-	782,296	-	-	-	782,846
Restricted	<u>766,394</u>	<u>-</u>	<u>19,032,063</u>	<u>-</u>	<u>2,462,227</u>	<u>4,216,895</u>	<u>26,477,579</u>
Total fund balances	<u>766,944</u>	<u>-</u>	<u>19,814,359</u>	<u>-</u>	<u>2,462,227</u>	<u>4,216,895</u>	<u>27,260,425</u>
Total liabilities and fund balances	<u>\$ 3,335,431</u>	<u>\$ 3,136,680</u>	<u>\$ 26,479,449</u>	<u>\$ 1,441,220</u>	<u>\$ 5,105,128</u>	<u>\$ 4,430,251</u>	<u>\$ 43,928,159</u>



FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2019

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
<b>Revenues:</b>							
Federal sources	\$ 1,086,289	\$ 733,916	\$ 48,761,270	\$ -	\$ -	\$ -	\$ 50,581,475
Other state sources	5,849,428	16,053,178	3,302,737	-	-	-	25,205,343
Other local sources	<u>791,703</u>	<u>264,176</u>	<u>962,834</u>	<u>39,838</u>	<u>2,077,376</u>	<u>91,622</u>	<u>4,227,549</u>
Total revenues	<u>7,727,420</u>	<u>17,051,270</u>	<u>53,026,841</u>	<u>39,838</u>	<u>2,077,376</u>	<u>91,622</u>	<u>80,014,367</u>
<b>Expenditures:</b>							
<b>Current:</b>							
Certificated salaries	2,856,084	5,854,224	-	-	-	-	8,710,308
Classified salaries	1,385,881	3,910,345	13,941,392	-	6,954	71,645	19,316,217
Employee benefits	2,134,748	5,824,738	10,002,320	-	2,947	61,672	18,026,425
Books and supplies	206,653	178,888	23,408,828	703,565	30,438	-	24,528,372
Contract services and operating expenditures	767,228	622,764	2,858,000	5,541,465	64,508	603,818	10,457,783
Capital outlay	<u>-</u>	<u>-</u>	<u>446,466</u>	<u>1,118,075</u>	<u>-</u>	<u>177,611</u>	<u>1,742,152</u>
Total expenditures	<u>7,350,594</u>	<u>16,390,959</u>	<u>50,657,006</u>	<u>7,363,105</u>	<u>104,847</u>	<u>914,746</u>	<u>82,781,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>376,826</u>	<u>660,311</u>	<u>2,369,835</u>	<u>(7,323,267)</u>	<u>1,972,529</u>	<u>(823,124)</u>	<u>(2,766,890)</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	7,323,267	-	-	7,323,267
Transfers out	<u>(215,195)</u>	<u>(660,311)</u>	<u>(2,118,881)</u>	<u>-</u>	<u>(61,245)</u>	<u>-</u>	<u>(3,055,632)</u>
Total other financing sources (uses)	<u>(215,195)</u>	<u>(660,311)</u>	<u>(2,118,881)</u>	<u>7,323,267</u>	<u>(61,245)</u>	<u>-</u>	<u>4,267,635</u>
Net change in fund balances	161,631	-	250,954	-	1,911,284	(823,124)	1,500,745
Fund balances, July 1, 2018	<u>605,313</u>	<u>-</u>	<u>19,563,405</u>	<u>-</u>	<u>550,943</u>	<u>5,040,019</u>	<u>25,759,680</u>
Fund balances, June 30, 2019	<u>\$ 766,944</u>	<u>\$ -</u>	<u>\$ 19,814,359</u>	<u>\$ -</u>	<u>\$ 2,462,227</u>	<u>\$ 4,216,895</u>	<u>\$ 27,260,425</u>

FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2019

	<u>Balance</u> July 1, 2018	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, 2019
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 372,342	\$ 930,792	\$ 949,266	\$ 353,868
Cash on hand and in banks	133,553	670,971	654,710	149,814
Stores inventory	<u>229</u>	<u>6,807</u>	<u>5,967</u>	<u>1,069</u>
Total assets	<u>\$ 506,124</u>	<u>\$ 1,608,570</u>	<u>\$ 1,609,943</u>	<u>\$ 504,751</u>
Liabilities:				
Due to student groups	<u>\$ 506,124</u>	<u>\$ 1,608,570</u>	<u>\$ 1,609,943</u>	<u>\$ 504,751</u>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	347,330	749,649	751,523	345,456
Stores inventory	<u>17,342</u>	<u>135,550</u>	<u>146,881</u>	<u>6,011</u>
Total assets	<u>\$ 364,672</u>	<u>\$ 885,199</u>	<u>\$ 898,404</u>	<u>\$ 351,467</u>
Liabilities:				
Due to student groups	<u>\$ 364,672</u>	<u>\$ 885,199</u>	<u>\$ 898,404</u>	<u>\$ 351,467</u>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	8,828	1,506	2,819	7,515
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,828</u>	<u>\$ 1,506</u>	<u>\$ 2,819</u>	<u>\$ 7,515</u>
Liabilities:				
Due to student groups	<u>\$ 8,828</u>	<u>\$ 1,506</u>	<u>\$ 2,819</u>	<u>\$ 7,515</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2019

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2019</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 5,218	\$ 8,467	\$ 3,318	\$ 10,367
Cash on hand and in banks	1,199,720	1,952,595	2,023,138	1,129,177
Stores inventory	<u>43,197</u>	<u>173,451</u>	<u>122,928</u>	<u>93,720</u>
Total assets	<u>\$ 1,248,135</u>	<u>\$ 2,134,513</u>	<u>\$ 2,149,384</u>	<u>\$ 1,233,264</u>
Liabilities:				
Due to student groups	<u>\$ 1,248,135</u>	<u>\$ 2,134,513</u>	<u>\$ 2,149,384</u>	<u>\$ 1,233,264</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 377,560	\$ 939,259	\$ 952,584	\$ 364,235
Cash on hand and in banks	1,689,431	3,374,721	3,432,190	1,631,962
Stores inventory	<u>60,768</u>	<u>315,808</u>	<u>275,776</u>	<u>100,800</u>
Total assets	<u>\$ 2,127,759</u>	<u>\$ 4,629,788</u>	<u>\$ 4,660,550</u>	<u>\$ 2,096,997</u>
Liabilities:				
Due to student groups	<u>\$ 2,127,759</u>	<u>\$ 4,629,788</u>	<u>\$ 4,660,550</u>	<u>\$ 2,096,997</u>

FRESNO UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2019

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Fresno Unified School District, a political subdivision of the State of California, was established on July 1, 1948. The District serves grades preschool 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, 2019 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Claudia Cazares	President	2020
Carol Mills, J.D	Clerk	2020
Valerie F. Davis	Member	2022
Veva Islas	Member	2022
Elizabeth Jonasson Rosas	Member	2020
Major Terry Slatic USMC (Retired)	Member	2022
Keshia Thomas	Member	2022

The Superintendent's Executive Staff at June 30, 2019 was comprised of the following:

Robert G. Nelson, Ed. D. Superintendent		
Ruth F. Quinto Deputy Superintendent / Chief Financial Officer Administrative Services	Kim Mecum Chief Academic Officer School Leadership	Paul Idsvoog Chief Executive Human Resources/ Labor Relations
Kurt Madden Chief Technology Officer Technology Services	Lindsay Sanders Chief of Equity and Access	Karin Temple Chief Operations Officer Operational Services
David Chavez Chief of Staff	Katie Russell Instructional Superintendent School Leadership	Brian Wall Instructional Superintendent School Leadership
Misty Her Instructional Superintendent School Leadership	Ed Gomes Instructional Superintendent School Leadership	Melissa Dutra Instructional Superintendent Curriculum and Instruction
Alex Belanger Assistant Superintendent Facilities Management & Planning	Brian Beck Assistant Superintendent Special Education & Health Svcs	Maria Maldonado Assistant Superintendent English Learner Services

The Administrative Services Leadership staff at June 30, 2019 was comprised of the following:

Kim Kelstrom Executive Officer Fiscal Services	Santino Danisi Executive Officer State and Federal Programs	Andrew De LaTorre Executive Director Benefits & Risk Management
Steven Shubin Executive Director Payroll	Kaleb Neufeld Director, Fiscal Services	Tammy Townsend Administrative Analyst Administrative Services

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FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2019

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	<u>Second Period Report</u>	<u>Revised Second Period Report</u>	<u>Annual Report</u>
Certificate Numbers:	<u>1877EFBF</u>	<u>09664F4C</u>	<u>70C64EB</u>
Elementary:			
Transitional Kindergarten through Third	23,279	23,318	23,286
Fourth through Sixth	15,951	15,971	15,930
Seventh and Eighth	<u>10,225</u>	<u>10,235</u>	<u>10,199</u>
Subtotal Elementary	<u>49,455</u>	<u>49,524</u>	<u>49,415</u>
Secondary:			
Ninth through Twelfth	<u>17,498</u>	<u>17,513</u>	<u>17,347</u>
Subtotal Secondary	<u>17,498</u>	<u>17,513</u>	<u>17,347</u>
District Total	<u><u>66,953</u></u>	<u><u>67,037</u></u>	<u><u>66,762</u></u>

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See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2019

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<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2018-2019 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b><u>District:</u></b>				
Kindergarten	36,000	47,290	180	In Compliance
Grade 1	50,400	55,356	180	In Compliance
Grade 2	50,400	55,355	180	In Compliance
Grade 3	50,400	55,341	180	In Compliance
Grade 4	54,000	55,355	180	In Compliance
Grade 5	54,000	55,353	180	In Compliance
Grade 6	54,000	55,353	180	In Compliance
Grade 7	54,000	60,268	180	In Compliance
Grade 8	54,000	60,268	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance

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See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
ESEA: Title I Programs:			
84.010	ESEA: Title I, Part A Basic Grants, Low-Income and Neglected	14329	\$ 51,982,912
84.010	ESEA: Title I, Part D, Local Delinquent Programs	14357	<u>41,891</u>
Subtotal ESEA: Title I Programs			<u>52,024,803</u>
Special Education Cluster:			
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611	13379	12,312,256
84.027	IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	10119	2,175,688
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	786,134
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	296,224
84.173	IDEA Preschool Grants, Part B, Sec. 619 Early Intervening Services	10131	52,275
84.173A	IDEA Preschool Capacity Building, Part B, Sec. 619	13839	18,468
84.173A	Alternate Dispute Resolution, Part B, Sec. 611	23761	8,872
84.027	IDEA Local Assistance, Private School ISPs Part B, Sec. 611	10115	6,549
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	<u>2,679</u>
Subtotal Special Education Cluster			<u>15,659,145</u>
Migrant Ed Programs:			
84.011	ESEA: Title I, Part C, Migrant Ed	14326	342,699
84.011	ESEA: Title I, Migrant Ed Summer Program	10005	<u>108,024</u>
Subtotal Migrant Ed Programs			<u>450,723</u>
Title III Programs:			
84.365	ESEA: Title III, English Learner Student Program	14346	1,480,068
84.365	ESEA: Title III, Immigrant Student Program	15146	<u>119,663</u>
Subtotal Title III Programs			<u>1,599,731</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education & ESL	14508	\$ 366,757
84.002	Adult Education: Adult Secondary Education	13978	385,000
84.002A	Adult Education: English Literacy and Civics Education	14109	139,650
84.002	Adult Education: Citizenship and Integration		
84.002	Citizenship and Direct Services Grant	N/A	<u>135,209</u>
	Subtotal Adult Education Programs		<u>1,026,616</u>
Carl D. Perkins Career and Tech Education Programs:			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Sec. 131	14894	1,115,232
84.048	Carl D. Perkins Career and Technical Education: Adult, Sec. 132	14893	<u>59,673</u>
	Subtotal Carl D. Perkins Career and Tech Education Programs		<u>1,174,905</u>
84.350	Transition to Teaching Program	N/A	1,561,879
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	6,190,457
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,075,000
84.060	Indian Education	10011	60,332
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,873
84.377	ESSA: Comprehensive Support & Improvement (CSI)	15248	10,160
84.411A	New Teacher Induction Program	N/A	372,600
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grant Program	15391	<u>176,870</u>
	Total U.S. Department of Education		<u>81,479,094</u>

(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	CCDF Cluster:		
93.575	Child Development: Quality Improvement Activities	N/A	319,906
93.596	Child Development: Federal General and Preschool, Family Child Care Home	13609	<u>414,010</u>
	Subtotal CCDF Cluster		<u>733,916</u>
93.778	Department of Health Services: Medi-Cal Billing Option (Medicaid Cluster)	10013	<u>2,263,970</u>
	Total U.S. Department of Health and Human Services		<u>2,997,886</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims, Centers and Family Day Care Homes	13529	\$ 4,105,267
10.555	Child Nutrition: School Programs (Child Nutrition Cluster)	13396	43,650,269
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,434,724</u>
	Total U.S. Department of Agriculture		<u>49,190,260</u>
	Total Federal Programs		<u>\$ 133,667,240</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, 2019

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

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See accompanying notes to supplemental information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2019  
(UNAUDITED)

	(Adopted Budget) <u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 1,010,726,335	\$ 995,359,887	\$ 923,762,192	\$ 879,014,653
Expenditures	1,043,938,332	980,388,419	925,770,789	816,571,446
Other uses and transfers out	<u>5,137,523</u>	<u>7,892,451</u>	<u>4,634,148</u>	<u>2,539,730</u>
Total outgo	<u>1,049,075,855</u>	<u>988,280,870</u>	<u>930,404,937</u>	<u>819,111,176</u>
Change in fund balance	<u>\$ (38,349,520)</u>	<u>\$ 7,079,017</u>	<u>\$ (6,642,745)</u>	<u>\$ 59,903,477</u>
Ending fund balance	<u>\$ 117,901,589</u>	<u>\$ 156,251,109</u>	<u>\$ 149,172,092</u>	<u>\$ 155,814,837</u>
Available reserves	<u>\$ 96,151,840</u>	<u>\$ 98,376,536</u>	<u>\$ 82,572,367</u>	<u>\$ 81,821,965</u>
Designated for economic uncertainties	<u>\$ 96,151,840</u>	<u>\$ 98,376,536</u>	<u>\$ 82,572,367</u>	<u>\$ 81,821,965</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>9.17%</u>	<u>9.95%</u>	<u>8.87%</u>	<u>9.99%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 2,679,798,009</u>	<u>\$ 2,628,780,469</u>	<u>\$ 2,523,097,240</u>	<u>\$ 1,783,729,652</u>
Average daily attendance, at P-2	<u>66,900</u>	<u>67,037</u>	<u>66,720</u>	<u>66,736</u>

The fund balance of the General Fund has increased by \$60,339,749 over the past three years. The fiscal year 2019-2020 budget projects a deficit of \$38,349,520. 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, 2019, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, but anticipates an operating deficit in fiscal year 2019-2020.

Total long-term liabilities have increased by \$845,050,817 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 301 over the past two years. A decrease of 137 ADA is projected for the 2019-2020 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2019

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

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See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2019

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**NOTE 1- PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 133,936,558
Add:		
Medi-Cal Billing Option funds received but not yet expended	93.778	(736,416)
Child Nutrition: CACFP Claims, Centers and Family Day Care Homes expenditures incurred in advance of claims received	10.558	<u>1,005,734</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 133,667,240</u>

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019

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

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2019-2020 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2019, the District did not adopt such a program.

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

Audit Committee  
Fresno Unified School District  
Fresno, California

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

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the State of California's *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2019.

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

(Continued)

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

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

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction because the District does not have programs that meet this criteria.

We did not perform any procedures related to District of Choice because the District is not reported as a District of Choice per the California Department of Education.

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

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

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on Fresno Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Fresno Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Fresno Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Fresno Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2019.

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(Continued)



**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Sacramento, California  
December 2, 2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Audit Committee  
Fresno Unified School District  
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

## Compliance and Other Matters

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

## Purpose of this Report

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



Crowe LLP

Sacramento, California  
December 2, 2019

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

Audit Committee  
Fresno Unified School District  
Fresno, California

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

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fresno Unified School District's major federal programs for the year ended June 30, 2019. Fresno Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Fresno Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fresno Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fresno Unified School District's compliance.

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

In our opinion, Fresno Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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(Continued)

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Crowe LLP

Sacramento, California  
December 2, 2019

## **FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

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

**FEDERAL AWARDS**

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA Title I, Part A Programs
84.367	ESSA: Title II, Part A, Supporting Effective Instruction Local Grants
10.582	Child Nutrition: Fresh Fruit and Vegetable Program

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

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

**STATE AWARDS**

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)



FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

FRESNO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2019

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		