

**FRESNO UNIFIED SCHOOL DISTRICT
BOARD AGENDA ITEM**

Agenda Item B-12

AGENDA SECTION <i>(Check Box Below)</i>			
A CONSENT	B DISCUSSION	C RECEIVE	RECOGNIZE/ PRESENT
	X		

Board Meeting Date: December 8, 2010

ACTION REQUESTED: <i>(Adopt, Approve, Ratify, Discuss, Receive, etc.)</i>	Approve
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TITLE AND SUBJECT: Approve the 2009/10 Audited Financial Statements Prepared by Perry-Smith, LLP

<p>DESCRIPTION/DISCUSSION Included in the Board binders is the 2009/10 Annual Financial Audit Report as prepared by our external auditors, Perry-Smith, LLP. The audit report has been completed for submission to the State Department of Education. Each year the District is required to have its financial statements audited by an independent accounting firm. We are pleased to report that Fresno Unified School District has received an “Unqualified Opinion” for the 2009/10 Audit, which is the best outcome available.</p> <p>In addition, the audit resulted in no findings for Average Daily Attendance, no findings related to internal controls (financial or compliance), no audit adjustments, and no findings related to Federal and State awards. There was, however, one finding related to Associated Student Body funds regarding cash and reconciliation control procedures.</p> <p>In summary, the overall audit results are very positive, the most positive the District has received in many, many years, and reflects the Board’s commitment to prudent fiscal policy. The District’s Audit Committee is scheduled to meet to review the audit report on December 7, 2010. Comments from that meeting will be reported to the Board as appropriate. Mr. Steve Wescoatt from Perry-Smith will present the audit report to the Board.</p> <p>Due to the size of the audit report, copies for the general public are available in the Board office for review.</p> <p>District Goals. This item addresses each of the four Fresno Unified School District goals for 2008-2013 in that it supports student success through operational excellence.</p>
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FINANCIAL SUMMARY There is no fiscal impact.

PREPARED BY Jacquie Canfield, Executive Director, Fiscal Services	DIVISION Administrative Services PHONE: 457-3907
DIVISION APPROVAL: Ruth F. Quinto, Deputy Superintendent/CFO <i>(Signature Required by Associate Superintendent)</i>	SUPERINTENDENT APPROVAL:

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

We are pleased to present this letter related to the conduct of the audit of the financial statements of Fresno Unified School District (the "District") as of and for the year ended June 30, 2010. This report is intended to inform the Audit Committee and Board of Education of Fresno Unified School District about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities.

The following summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Fresno Unified School District's financial reporting process.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of Fresno Unified School District for the year ended June 30, 2010 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective

In accordance with *Governmental Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the District's internal control or compliance with laws and regulations.

Adoption of, or Change in, Accounting Policies

The Board of Education and management have the ultimate responsibility for the appropriateness of the accounting policies used by the District. Significant accounting policies are included in Note 1 to the financial statements. Following are descriptions of significant accounting policies or their application which were either initially selected or changed during the year:

- The District adopted Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) 1000, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB Cod. Sec. 1000), on July 1, 2009. The Statement is intended to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standard's Board (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The adoption of this update did not have a material impact on the District's net assets, change in net assets and cash flows.
- The District adopted GASB Cod. Sec. 2250, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* (GASB Cod. Sec. 2250), on July 1, 2009. The objective of this Statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) in the GASB standards. The adoption of this Statement did not have a material impact on the District's net assets, change in net assets and cash flows.



Adoption of, or Change in, Accounting Policies (Continued)

The following financial accounting standards have been issued but were not required to be adopted for the year ended June 30, 2010:

Fund Balance Reporting and Governmental Fund Type Definitions

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Codification Section (GASB Cod. Sec.) 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions: This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. GASB Cod. Sec. 1300 and 1800 is effective for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The adoption of GASB Cod. Sec. 1300 and 1800 is not expected to have a material impact on the District's net assets.



Adoption of, or Change in, Accounting Policies (Continued)

Financial Instruments Omnibus

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Cod. Sec. 150, *Financial Instruments Omnibus* (GASB Cod. Sec. 150). The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. Applying the reporting provisions of GASB Statement 31 for interest-earning investment contracts to unallocated insurance contracts improves consistency of investment measurements that are reported by pension and other postemployment benefit plans. Emphasizing the applicability of SEC requirements to 2a7-like external investment pools provides practitioners with improved guidance. Limiting interest rate risk disclosures for investments in mutual funds, external investment pools, and other pooled investments to debt investment pools provides better guidance regarding the applicability of interest rate risk disclosures. Finally, addressing the applicability of GASB Statement 53 to certain financial instruments refines which financial instruments are within the scope of that Statement. The adoption of GASB Cod. Sec. 150 is not expected to have a material impact on the District's net assets.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the Revenue Limit Calculation. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Other significant accounting estimates reflected in the District's financial statements include the following:

- Determination of unpaid claims and claim adjustment expenses outstanding at the end of the accounting period.
- Litigation claims against the District and other operating loss accruals.



Accounting Estimates and Management Judgments (Continued)

We have evaluated the reasonableness of accounting estimates in relationship to the financial statements taken as a whole and concluded that management's approach to these estimation processes is reasonable

Significant Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

We did not identify any uncorrected misstatements to the financial statements.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited financial statements of the District.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Material Written Communications Between Management and Our Firm

Enclosed you will find copies of all material written communications between our firm and the management of Fresno Unified School District.

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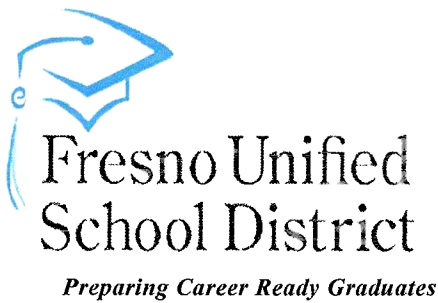
We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Fresno Unified School District.

This report is intended solely for the information and use of the Audit Committee, Board of Education and management and is not intended to be and should not be used by anyone other than the specified parties.

Perry-Smith LLP

Sacramento, California
November 23, 2010





BOARD OF EDUCATION

Valerie F. Davis, President
Michelle A. Asadoorian, Clerk
Lindsay Cal Johnson
Carol Mills, J.D.
Larry A. Moore
Janet Ryan
Tony Vang, Ed.D.

SUPERINTENDENT

Michael E. Hanson

November 23, 2010

Perry-Smith LLP
Sacramento, California

In connection with your audit of the basic financial statements of Fresno Unified School District as of and for the year ended June 30, 2010, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of November 23, 2010, the following representations made to you during your audit.

- 1 The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship with Fresno Unified School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
- 3 We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
- 4 We have properly classified all funds and activities.
- 5 We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria. We believe that all judgmentally determined major funds are particularly important to the financial statement users.
- 6 We are responsible for compliance with laws and regulations applicable District including adopting, approving, and amending budgets.
- 7 We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. We have identified in the schedule of expenditures of Federal awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by Fresno Unified School District, Fresno, California.

- 9 We have:
 - a. Identified to you all applicable generic compliance requirements.
 - b. Identified to you all applicable agency program requirements.
 - c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the schedule of expenditures of Federal awards.
 - d. Determined amounts claimed or used to comply with matching requirements of Federal awards identified in the schedule of expenditures of Federal awards in accordance with guidance provided by OMB Circular A-87, "Cost Principles for State and Local Governments," and the OMB's Uniform Administrative Requirements for "Grants and Cooperative Agreements to State and Local Governments."
 - e. Complied with applicable costs principles for determining the allowability of costs charged to cost pools used to support an indirect cost rate.
 - f. Provided you with a summary schedule of prior audit findings consistent with the requirements of OMB Circular No. A-133, Section .315(b).
 - g. No subrecipients of Federal awards.
 - h. Identified and disclosed to you all amounts that have been questioned, and all known instances of noncompliance with statutory, regulatory and contractual requirements that could have a material effect on a major Federal financial assistance program.
- 10 Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the basic financial statements have been prepared.
- 11 We have made available to you
 - a. All financial records and related data of all funds and activities , including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
12. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
- 13 We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
- 14 We have no knowledge of any allegations of fraud or suspected fraud affecting Fresno Unified School District received in communications from employees, former employees, analysts, regulators, short sellers, or others.
- 15 There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
16. We know of no violations of state or Federal statutory or regulatory provisions, grant or other contractual provisions, or of provisions of local ordinances (except for those which have been communicated to you or which are disclosed in the financial statements and/or your reports).

- 17 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
18. Where applicable, the following have been properly recorded and/or disclosed in the financial statements:
 - a. Related party transactions, including those with the primary government having accountability for Fresno Unified School District, component units for which Fresno Unified School District is accountable, other organizations for which the nature and significance of their relationship with Fresno Unified School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, joint ventures in which Fresno Unified School District has an interest and jointly governed organizations in which Fresno Unified School District participate, all as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
 - b Guarantees, whether written or oral, under which the Government is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Line of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f Security agreements in effect under the Uniform Commercial Code.
 - g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way
 - h. The fair value of investments.
 - i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - j Any liabilities which are subordinated in any way to any other actual or possible liabilities.
 - k. Debt issue re-purchase options or agreements, or sinking fund debt re-purchase ordinance requirements.
 - l Debt issue provisions.
 - m. All leases and material amounts of rental obligations under long-term leases.
 - n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), *Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year
 - o. Authorized but unissued bonds and/or notes.
 - p Risk financing activities.
 - q Special and extraordinary items.
 - r Deposits and investment securities category of custodial credit risk.

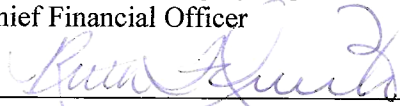
- 19 We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.
- a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2010 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2010
 - e. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2010
 - f. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - g. For any material loss to be sustained as a result of purchase commitments.
 - h. For environmental clean up obligations.
20. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC, *Accounting for Contingencies*, and/or GASB Codification Section 1500.110
- 21 Unless disclosed to you, there have been no complaints filed with or concerning our compliance with the provisions of
- a. Davis-Bacon Act relative to payment of prevailing wage rates.
 - b. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relative to acquisition of real property and the relocation of occupants of acquired property
22. We acknowledge the following:
- a. It is our responsibility for understanding and complying with the compliance requirements.
 - b. It is our responsibility for establishing and maintaining controls that provide reasonable assurance that the entity administers government programs in accordance with the compliance requirements.
 - c. We have identified and disclosed to the auditor all of its government programs and related activities subject to the governmental audit requirement.
 - d. We have made available to the auditor all contracts and grant agreements, including amendments, if any, and any other correspondence relevant to the programs and related activities subject to the governmental audit requirement.

- e. We have disclosed to the auditor all known noncompliance with the applicable compliance requirements or stating that there was no such noncompliance.
 - f. We believe that the entity has complied with the applicable compliance requirements (except for noncompliance it has disclosed to the auditor).
 - g. We have made available to the auditor all documentation related to compliance with the applicable compliance requirements.
 - h. We have identified our interpretation of any applicable compliance requirements that are subject to varying interpretations.
 - i. We have disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
 - j. We have disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
 - k. We have disclosed to the auditor all known noncompliance with the applicable compliance requirements subsequent to the period covered by the auditor's report or stating that there were no such known instances stating that management is responsible for taking corrective action on audit findings of the compliance audit.
23. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC, *Accounting for Contingencies*, and/or GASB Codification Section 1500 110
24. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
25. We have satisfactory title to all owned assets.
26. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
27. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
28. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
29. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal
30. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
31. Required supplementary information is properly measured and presented.
32. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

- 33 We are not aware of any internal control weaknesses or reportable conditions that should be reported. We are responsible for establishing and maintaining effective internal control over financial reporting.
- 34 No events or transactions have occurred subsequent to the statement of net assets date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- 35 During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

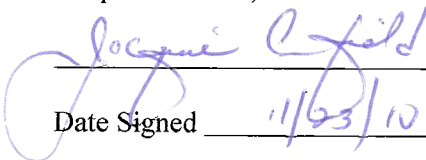
Fresno Unified School District

Ruth F Quinto, Deputy Superintendent and
Chief Financial Officer



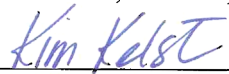
Date Signed 11/21/10

Jacque Canfield, Administrator, Fiscal Services



Date Signed 11/23/10

Kim Kelstrom, Director, Fiscal Services



Date Signed 11/20/10

FRESNO UNIFIED SCHOOL DISTRICT
COUNTY OF FRESNO
FRESNO, CALIFORNIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

TABLE OF CONTENTS

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

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Basic Financial Statements: (Continued)	
Fund Financial Statements. (Continued)	
Statement of Cash flows - Proprietary Fund - Cafeteria Fund - Business-Type Activities	27
Statement of Fiduciary Net Assets - Agency Funds	28
Notes to Basic Financial Statements	29-55
Required Supplementary Information.	
General Fund Budgetary Comparison Schedule	56
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	57
Supplementary Information.	
Combining Balance Sheet - All Non-Major Funds	58
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	59
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	60-61
Organization	62
Schedule of Average Daily Attendance	63
Schedule of Instructional Time	64
Schedule of Expenditure of Federal Awards	65-67
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	68
Schedule of Financial Trends and Analysis	69
Schedule of Charter Schools	70
Notes to Supplementary Information	71-72

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Independent Auditor's Report on Compliance with State Laws and Regulations	73-75
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76-77
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	78-79
Findings and Recommendations.	
Schedule of Audit Findings and Questioned Costs	80-85
Status of Prior Year Findings and Recommendations	86

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2010, which collectively comprise Fresno Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010 on our consideration of Fresno Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Fresno Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Fresno Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
November 23, 2010





Preparing Career Ready Graduates

BOARD OF EDUCATION

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Michael E. Hanson

November 23, 2010

Board of Trustees
Fresno Unified School District
Fresno, California 93721

Dear Trustees

I am pleased to present the financial statements for Fresno Unified School District (the District) for the fiscal year ended June 30, 2010, with the Independent Auditors' Reports on those financial statements and the Federal and State Compliance audits. These financial statements have been prepared in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), and confirm that the District is fiscally sound as defined by the State Controller's Office, with a General Fund balance of \$61,911,613.

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

The District has prepared its financial statements since 2001 using the financial reporting requirements as prescribed by GASB Codification Section (Cod. Sec. 2200 101), previously GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34). GASB Cod. Sec. 2200 101 requires that Management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The financial statements for the year ended June 30, 2010 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully,

Ruth F. Quinto, CPA
Deputy Superintendent/Chief Financial Officer



FRESNO UNIFIED SCHOOL DISTRICT

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

We, the management of Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparison between fiscal year 2009/10 and fiscal year 2008/09

FINANCIAL HIGHLIGHTS

- The primary government has net assets in governmental activities totaling \$268 million at June 30, 2010
- Business-type activities have a net asset surplus of \$18 million.
- The total net assets of the District decreased by \$54 million during fiscal year 2009/10. This is mainly due to increased costs for post retirement benefits, and reduction in state revenues due to State deferrals offset with the continued construction of new capital assets as a result of Measure K bond funding.
- The total assets the District's business-type activity for Food Services increased by 4% mainly due to the re-appropriation of state funds from 2008/09 to 2009/10.
- Fund balance of the District's governmental funds decreased by \$13 million resulting in an ending fund balance of \$159 million. The majority of the decrease is due to utilization of Economic Stimulus funds received in fiscal year 2008/09, and continued state reductions and flexibility transfers.
- At the end of the 2009/10 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by \$18.7 million. This was mainly due to the reduction in state funding.
- GASB Cod. Sec. P50 108- 109 (previously GASB 45) requires an actuarial valuation of the District's Retiree Health Benefits Plan. The District is required to recognize the Annual Retirement Contribution (ARC) on an annual basis for 30 years. The ARC of \$78 million for 2009/10 is offset with the 2009/10 healthcare costs for our retirees and covered dependents of \$35 million. The change of \$43 million is included as an increased liability. This is the third year the District has recognized the liability of \$116 million.
- The District's long-term obligations increased by \$53 million to \$421 million mainly as a result of the District's Other Postemployment Benefits (OPEB) offset with continued payments to the general obligation bond debt. In addition, the District has leveraged \$29 million of Measure K bond funding to receive \$41 million from the State Qualified School Construction Bonds.
- The District maintained a positive financial position for 2009/10 as reflected by Standard and Poor's credit rating of A+ issued in December 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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

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

The District maintains 12 different governmental funds. The major fund is the General Fund. It is presented separately in the *Fund Financial Statements* with the remaining governmental funds combined into a single aggregated presentation labeled *All Non-Major Funds*. Individual fund information for the non-major funds is presented in the Supplementary Information section.

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

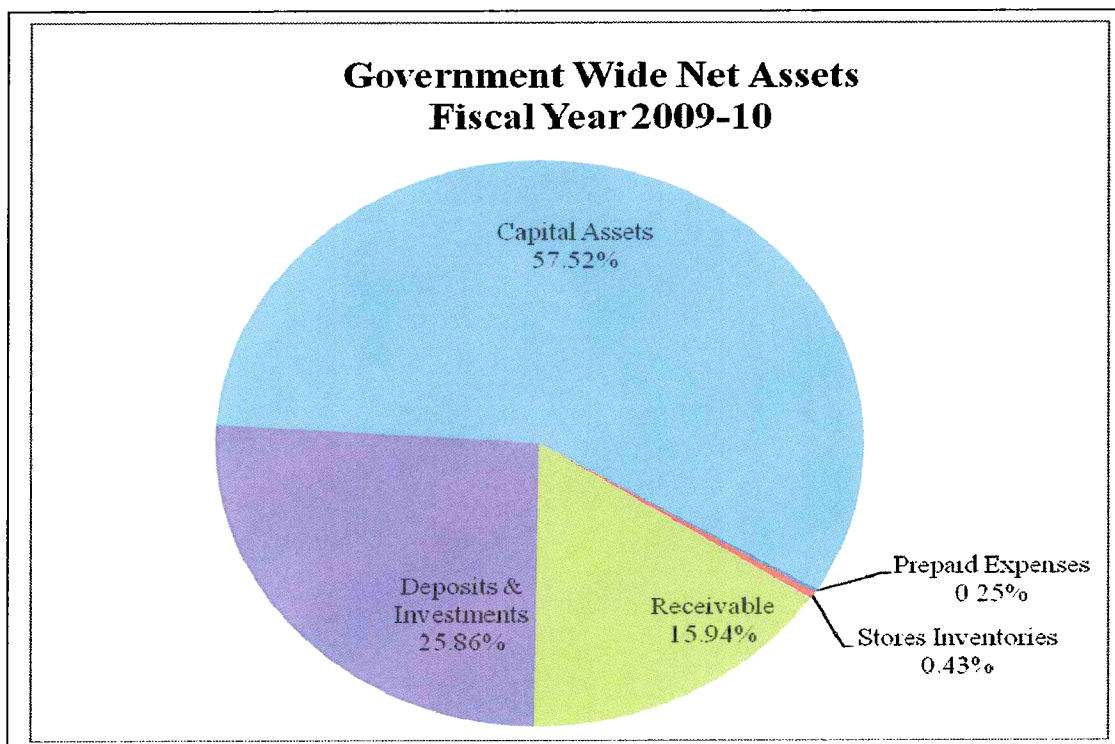
In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$347,632,822	\$377,285,053	\$15,941,428	\$14,814,251	\$363,574,250	\$392,099,304	7.27%
Capital assets	489,628,014	468,294,885	2,734,010	3,110,742	492,362,024	471,405,627	4.45%
Total Assets	837,260,836	845,579,938	18,675,438	17,924,993	855,936,274	863,504,931	-0.88%
Current liabilities	147,785,965	153,989,529	787,397	659,705	148,573,362	154,649,234	-3.93%
Long-term liabilities	421,465,019	368,726,069			421,465,019	368,726,069	14.30%
Total Liabilities	569,250,984	522,715,598	787,397	659,705	570,038,381	523,375,303	8.92%
Net assets invested in capital assets, net of related debt	196,264,019	174,919,678	2,734,010	3,110,742	198,998,029	178,030,420	11.78%
Restricted	161,958,240	192,320,197	15,154,032	14,154,546	177,112,271	206,474,743	-14.22%
Unrestricted	(90,212,407)	(44,375,535)			(90,211,407)	(44,375,535)	103.29%
Total Net Assets	\$268,009,852	\$322,864,340	\$17,888,042	\$17,265,288	\$285,897,893	\$340,129,628	-15.94%



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Government-wide Net Assets

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, deferred revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2009/10 fiscal year. Long-term liabilities such as general obligation bonds, Certificates of Participation (COPs), capitalized lease obligations, Quality Zone Academy Bonds (QZAB), Other Postemployment Benefits (OPEB) and compensated absences will be liquidated from resources that will become available after the 2009/10 fiscal year.

The assets of the primary government activities exceed liabilities by \$268 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$490 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 72,855 public school students represents 58% of the District's total assets. The table and chart above summarizes the District's government-wide net assets.

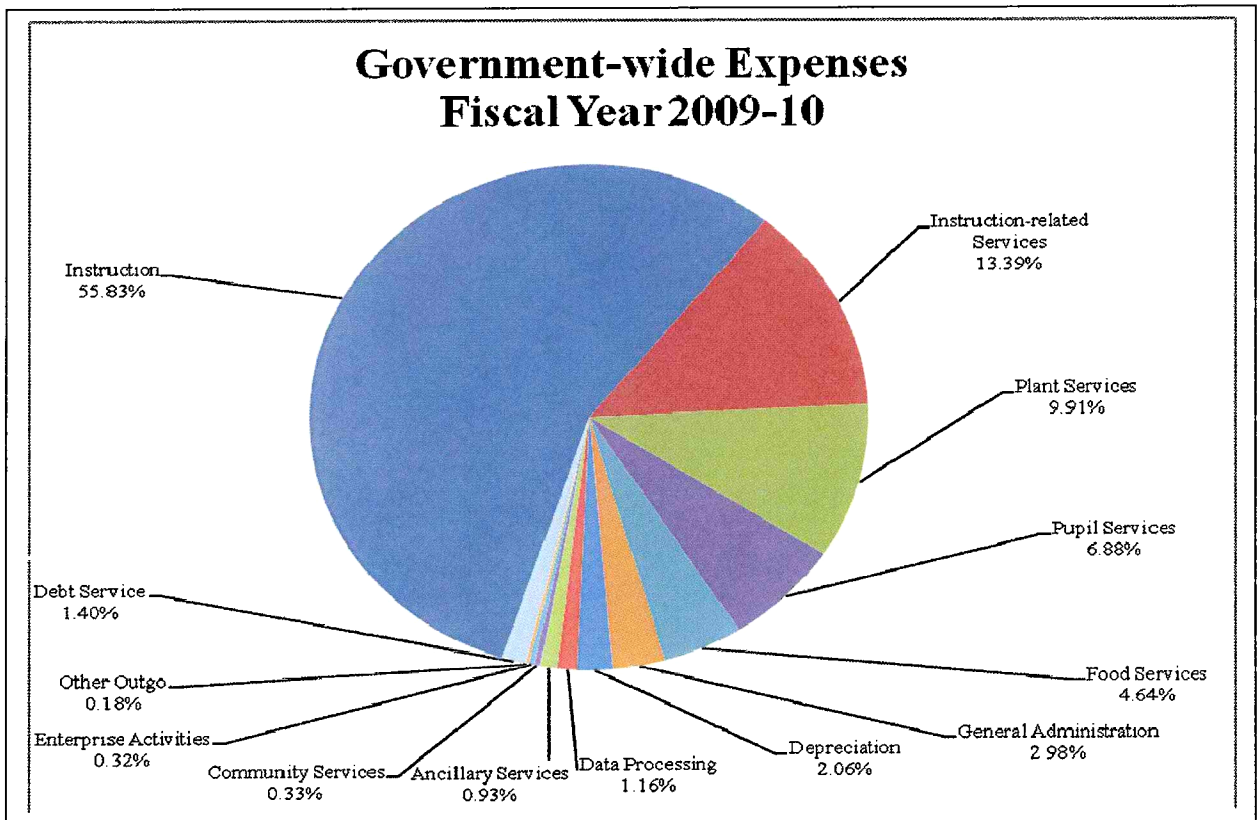
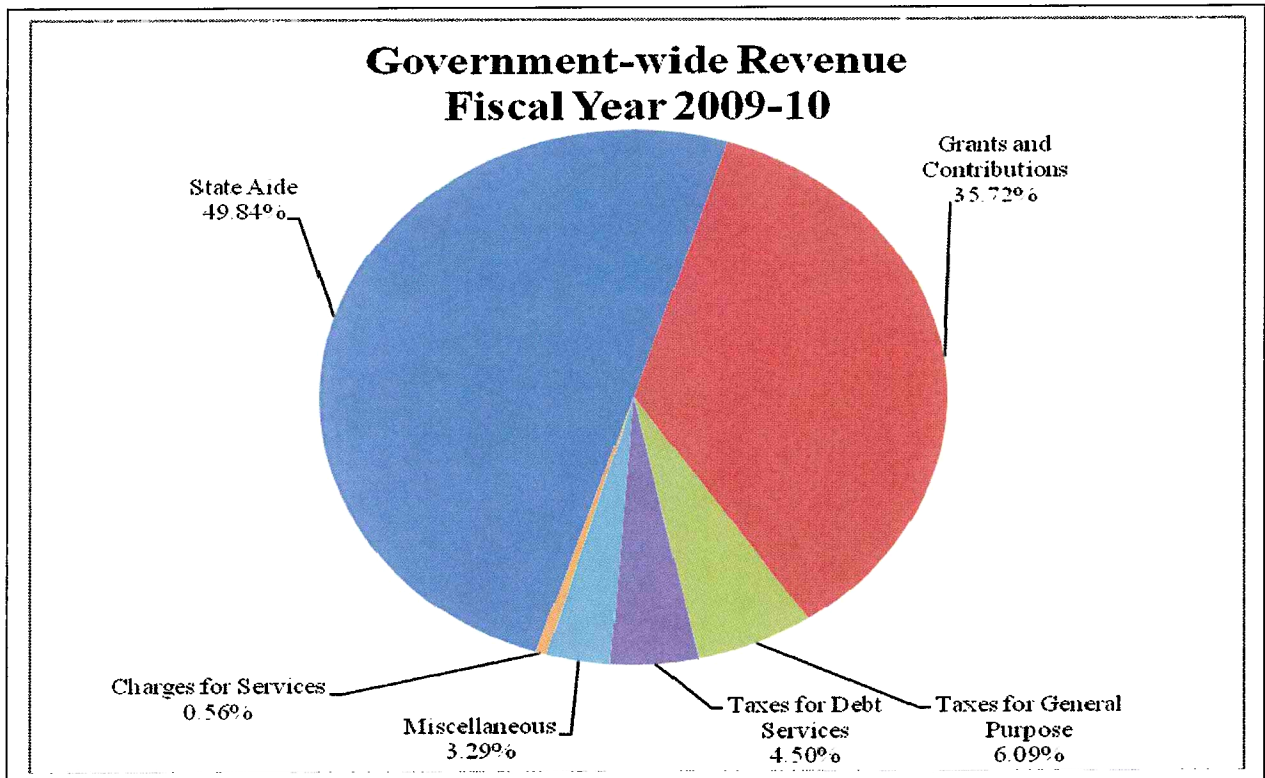
The District's Business-type activity increased net assets by approximately \$623,000. The Business-type activity accounts for 6% of the District's net assets. Key elements that highlight the activities in 2009/10 fiscal year are as follows.

- The Cafeteria Fund provided over 22,500 breakfasts and 54,800 lunches and 7,200 snacks a day during the fiscal year and 15.3 million meals annually. This is a 1.0% decrease in meals served from the prior year mainly due to a decrease of students enrolled in the after school snack program.
- Fresno Unified had an 83% student population qualify for free or reduced price meals. Meals are served at 104 locations, utilizing 540 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- 79 of the District's schools qualify for Provision 2 status due to the poverty level at these schools (no change from the prior year). This allows Food Services to provide meals to all enrolled students free of charge at these sites.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		Change
	2010	2009	2010	2009	2010	2009	
Program Revenues							
Charges for Services	\$2,949,602	\$3,514,585	\$1,192,259	\$993,872	\$4,141,861	\$4,508,457	-8.13%
Operating Grants & Contributions	223,113,926	262,965,173	34,346,267	31,258,760	257,460,193	294,223,933	-12.58%
Capital Grants and Contributions	6,918,131	34,397,829			6,918,131	34,397,829	79.89%
General Revenues							
Taxes and Subventions	78,356,303	61,883,492			78,356,303	61,883,492	26.62%
Federal and State Aid, Unrestricted	368,734,013	382,833,993			368,734,013	382,833,993	-3.68%
Interagency Revenues	(75,491)	47,330	75,491			47,330	-100.00%
Interest and Investment Earnings	3,038,762	5,706,056			3,038,762	5,706,056	-46.74%
Other General Revenues	21,284,172	5,349,401			21,284,172	5,349,401	297.88%
Total Revenues	704,319,418	756,697,859	35,614,017	32,252,632	739,933,435	788,950,491	-6.21%
Expenses							
Instructional Related	549,721,607	549,568,597			549,721,607	549,568,597	0.03%
Student Support Services	58,344,785	54,976,882			58,344,785	54,976,882	6.13%
General Administrative	31,607,842	27,184,002			31,607,842	27,184,002	16.27%
Maintenance and Operations	78,205,669	78,659,752			78,205,669	78,659,752	-0.58%
Depreciation	16,331,184	15,994,420			16,331,184	15,994,420	2.11%
Other	24,962,819	30,518,444		-	24,962,819	30,518,444	18.20%
Enterprise Activities	-		34,991,264	36,237,324	34,991,264	36,237,324	-3.44%
Total Expenses	759,173,906	756,902,097	34,991,264	36,237,324	794,165,170	793,139,421	0.13%
Change in Net Assets	\$ (54,854,488)	\$ (204,238)	\$ 622,753	\$ (3,984,692)	\$ (54,231,735)	\$ (4,188,930)	-1197.7%



MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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 2009/10.

- The Capital Project Funds spent \$33.6 million on projects (Measure K - \$25.8 million, Measure A \$3.9 million and Developer Fees - \$3.9 million).
- The Building Fund's major projects and activities included the following.
 - Modernization Projects included the following sites totaling **\$24.7 million**
 - Bullard High \$5.5 million
 - Tioga \$3.1 million
 - Starr \$2.1 million
 - Robinson \$1.6 million
 - Kratt \$1.4 million
 - Malloch \$1.4 million
 - Fresno High \$1.2 million
 - Lane \$1.1 million
 - Easterby \$1.1 million
 - Yosemite \$0.8 million
 - 57 other sites totaling \$5.4 million
 - Construction and Maintenance major projects and activities included the following totaling **\$4.3 million**
Athletic projects including the Fresno High pool and Bullard High pool and track, Site M, library media centers, and portables at sites across the District.
 - Developer Fees projects support the following totaling **\$3.9 million**
New Alternative Education Facility, Southeast Elementary, and other portable buildings
 - Issuance of Measure K Bond totaling \$29.4 million to secure \$41.4 million in state Qualified School Construction Bond **\$0.7 million**

Financial Analysis of the District's Governmental Funds

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

The General Fund is the chief operating fund of the District. Student enrollment decreased by 306 students during the fiscal year. The average daily funded attendance for fiscal year 2009/10 decreased 281 from the 2008/09 fiscal year. This decrease amounts to approximately \$1.5 million.

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

General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2009/10, the District spent 59.54% toward 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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

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

The District as a general rule requires restricted budgets to stay within their State and/or Federal allocation. The major exceptions include Community Day, Restricted Routine Maintenance, CSR K-3, English Language Acquisition, Special Education and Transportation, for these programs, in addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources.

The adopted unrestricted ending balance at year end for the 2009/10 budget was \$46.7 million. The actual ending balance was \$43.4 million. The difference of \$3.3 million is mainly due to the following.

- Economic Stimulus one-time funds were received after the 2009/10 adopted budget of \$41 million. The District received approximately \$81 million in total and expended \$47.4 million in 2009-10. The remaining \$33.6 million is planned in 2010-11 adopted budget.
- Revenue limit decreases due to State ongoing reduction of \$9.5 million and \$17 million in one-time reductions during 2009-10 – \$28.5 million
- Utilization of Economic Stimulus Funds to contribute to Deferred Maintenance and Adult Education and relieve the general fund transfers out -\$13.1 million
- The Beginning Fund balance for 2009-10 was \$15.5 million higher than estimated in the budget. This was mainly due to contributions savings, maximization of state categorical flexibility and ending balance transfers.
- Contributions to Special Education decreased due to utilization of Federal Stimulus funds - \$2.3 million
- Expenditures were higher than anticipated due to utilities and personnel costs - \$1.0 million

Capital Assets and Long-Term Liabilities

Governmental Activities, Capital Assets	2010	2009	\$ Change	% Change
Land	\$ 46,092,417	\$ 45,890,363	\$ 202,054	0.44%
Work-in-process	63,297,695	47,842,806	15,454,889	32.30%
Land improvements	43,749,711	37,341,603	6,408,108	17.16%
Buildings	553,640,551	538,569,778	15,070,773	2.80%
Equipment	27,929,629	27,401,140	528,489	1.93%
Capital Assets, cost	734,710,003	697,045,690	37,664,313	5.40%
Accumulated Depreciation	(245,081,989)	(228,750,805)	16,331,184	7.14%
Governmental Activities Capital Assets, net	\$ 489,628,014	\$ 468,294,885	\$ 21,333,129	4.56%
Business-Type Activities, Capital Assets				
Equipment	\$ 6,679,829	\$ 6,679,829		0.00%
Accumulated Depreciation	(3,945,819)	(3,569,087)	\$ (376,732)	10.56%
Business-Type Activities Capital Assets, net	\$ 2,734,010	\$ 3,110,742	\$ (376,732)	-12.11%

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2010 was \$492 million (net of accumulated depreciation).

Capital assets include land, land improvements, buildings, equipment, and work-in-progress. Capital assets experienced relatively no change in the business-type activities. Capital assets continued to grow in the governmental activities as District-wide construction continued as a result of Measure K bond funding and Qualified School Construction Bonds of \$41.4 million

Summary of Long-Term Liabilities

	2010	2009	\$ Change	% Change
General Obligation Bonds	\$ 275,217,764	\$ 255,653,742	\$ 19,564,022	7.65%
Accreted Interest	3,438,967	3,022,307	416,660	13.79%
Certificates of Participation	21,185,000	30,755,000	(9,570,000)	-31.12%
Capitalized Lease Obligations	114,906	232,195	(117,289)	-50.51%
QZABs	2,909,793	3,711,963	(802,170)	-21.61%
OPEB	116,374,627	73,296,882	43,077,745	58.77%
Compensated Absences	2,223,962	2,053,980	169,982	8.28%
Total Long-Term Liabilities	\$ 421,465,019	\$ 368,726,069	\$ 52,738,950	14.30%

At June 30, 2010, the District had total bonded debt outstanding of \$275 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases and certificates of participation in the amount of \$24.2 million still outstanding at the end of the 2009/10 fiscal year

- Total long-term debt for the District increased \$52.7 million during the 2009/10 fiscal year due mainly to the recognition of accrued OPEB benefits of \$43 million and the sale of Measure K series F bond of \$29.4 million to maximize State Qualified School Construction Bonds of \$41.4 million. The District continues to reduce its long-term debt on General Obligation Bonds and Certificates of Participation.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$175 million less than the maximum amount.

Economic Factors and Budgets and Rates for 2010/11

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions from the Governor's priorities and calculates funding levels based upon enrollment projections. The 2010/11 Proposed Budget includes recommendations that continue to balance the Board of Education's investment in educational programs for students, employee compensation, and fiscal responsibility through a healthy financial reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

On June 16, 2010, the Board approved an Adopted Budget for fiscal year 2010/11. The Adopted Budget included a 2.2% unrestricted reserve.

- The major Federal assumptions are the Economic Stimulus Funds Title I, Special Education programs and Homeless and Delinquent programs anticipate \$88.0 million to be received and utilized over from 2009/10 through 2011/12.
- The major State assumption are:
 - Negative statutory cost-of-living adjustment of 0.39% and continued funding deficit of 18.4%
 - An ongoing reduction of 3.85% to the Revenue Limit (replaces one-time reduction from 2009/10)
 - Continuation of the Tier III flexibility through 2012/13
 - Continuation of K-3 CSR flexibility (The multi-year projections assume the same level of CSR flexibility through 2012/13)
- The Local assumptions are as follows:
 - Utilization of Economic Stimulus funds
 - Support Special Education program, supporting professional leveling, Adult Education Transition program, Early academic and social-emotional preventions and interventions, Homeless and Delinquent Program, Community Day School Grade 7-12
 - Title I supporting the Summer School program, health personnel, and library personnel
 - Ongoing Program Development and continued support of the Targeted Improvement actions
 - One-time funds programmed for the completion of the ATLAS project, and the athletic facilities pressure projects
 - Continued support of increased levels of instructional supply allocations
 - Benefit Rates
 - Maintain the Health rate in accordance with the current employee bargaining agreements.
 - Workers' Compensation was lowered to maintain a 67% funded reserve and the Liability Insurance rates were maintained at 67% of the funded reserve
 - Reduced local revenue due to lower interest rates and deferred State apportionments of \$300,000
 - The 2010/11 budget includes approximately \$25 million in budget reductions approved by the Board in March and April of 2010 including:
 - Two Professional Development days for teachers
 - Temporary Work Reduction for all non-teaching positions equating to 1.081% salary reduction
 - Increase cuts in Central Administration from 12% to 14%
 - Increase Class Size Reduction K-3 to 24
 - Increase Class Size Reduction 9th grade to 26
 - Reduce elementary coaches by 50%
 - Eliminate 9th grade CAHSEE math classes
 - Lower Workers Compensation contribution
 - Intensive Intervention English Language Arts at Middle schools
 - Lower School Library Block Grant allocation to schools by 50%
 - Reduce District contribution to Deferred Maintenance
 - Utilize ARRA Title I for Summer School
 - Utilize Economic Impact Aid-State Compulsory Education/Title I funds for 75% of Counselors
 - Utilize Title II for the Peer Assistance and Review program

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

- Subsequent Events to the Adopted 2010/11 Budget
 - The State finalized the budget in late October 2010 which eliminated the 3.85% reduction and included \$2 billion in delayed payments to next fiscal year
 - The Fresno Teacher's Association agreed to an additional professional development furlough day from 2 to 3 days.
 - Voters overwhelmingly passed the \$280 million Measure Q school bond in the November 2 election, paving the way for an exciting phase of facility improvements and modernization throughout the Fresno Unified School District

The District provides post employment medical benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees at least 57½ years old. For employees hired on or after July 1, 2005, the District provides five years of post employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees at least 60 years old.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 208,462,501	\$ 12,905,621	\$ 221,368,122
Accounts receivable	131,136,524	5,321,143	136,457,667
Due from (to) other funds (Note 3)	2,901,699	(2,901,699)	
Prepaid expenses	2,103,930		2,103,930
Stores inventory	3,028,168	616,363	3,644,531
Capital assets, net of accumulated depreciation (Note 4)	<u>489,628,014</u>	<u>2,734,010</u>	<u>492,362,024</u>
Total assets	<u>837,260,836</u>	<u>18,675,438</u>	<u>855,936,274</u>
LIABILITIES			
Accounts payable and other current liabilities	83,194,390	787,397	83,981,787
Deferred revenue	16,631,116		16,631,116
Self-insurance claims liability (Note 5)	47,960,459		47,960,459
Long-term liabilities (Note 6):			
Due within one year	25,806,066		25,806,066
Due after one year	<u>395,658,953</u>		<u>395,658,953</u>
Total liabilities	<u>569,250,984</u>	<u>787,397</u>	<u>570,038,381</u>
NET ASSETS			
Invested in capital assets, net of related debt	196,264,019	2,734,010	198,998,029
Restricted (Note 7)	161,958,240	15,154,031	177,112,271
Unrestricted	<u>(90,212,407)</u>		<u>(90,212,407)</u>
Total net assets	<u>\$ 268,009,852</u>	<u>\$ 17,888,041</u>	<u>\$ 285,897,893</u>

The accompanying notes are an integral part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
Instruction	\$ 443,357,925	\$ 785,794	\$ 127,653,200	\$ 6,918,131	\$ (308,000,800)	\$ (308,000,800)
Instruction-related services:						
Supervision of instruction	52,178,865	150,081	45,439,906		(6,588,878)	(6,588,878)
Instructional library, media and technology	11,969,187	10,173	3,008,984		(8,950,030)	(8,950,030)
School site administration	42,215,630	58,081	1,678,797		(40,478,752)	(40,478,752)
Pupil services:						
Home-to-school transportation	15,329,764	668,663	7,303,428		(7,357,673)	(7,357,673)
Food services	3,726,983		501,965		(3,225,018)	(3,225,018)
All other pupil services	39,288,038	385,303	21,012,709		(17,890,026)	(17,890,026)
General administration:						
Data processing	9,181,940	794,529	2,047,683		(6,339,728)	(6,339,728)
All other general administration	22,425,902	49,768	7,695,291		(14,680,843)	(14,680,843)
Plant services	78,205,669	3,634	1,172,870		(77,029,165)	(77,029,165)
Ancillary services	7,352,751		3,021,949		(4,330,802)	(4,330,802)
Community services	2,637,419	42,923	1,356,045		(1,238,451)	(1,238,451)
Enterprise activities	2,419,696		549		(2,419,147)	(2,419,147)
Interest on long-term liabilities	11,097,981				(11,097,981)	(11,097,981)
Other outgo	1,454,972	653	1,220,550		(233,769)	(233,769)
Depreciation (unallocated) (Note 4)	16,331,184				(16,331,184)	(16,331,184)
Business-type activities:						
Food services	33,101,568	1,127,871	32,498,333		\$ 524,636	524,636
All other general administration	1,276,015	43,478	1,247,816		15,279	15,279
Plant services	488,684	16,651	477,885		5,852	5,852
Enterprise services	124,997	4,259	122,233		1,495	1,495
Total governmental and business-type activities	<u>\$ 794,165,170</u>	<u>\$ 4,141,861</u>	<u>\$ 257,460,193</u>	<u>\$ 6,918,131</u>	<u>(526,192,247)</u>	<u>(525,644,985)</u>
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				45,073,878		45,073,878
Taxes levied for debt service				33,282,425		33,282,425
Federal and state aid not restricted to specific purposes				368,734,013		368,734,013
Interest and investment earnings				3,038,762		3,038,762
Miscellaneous				9,315,194		9,315,194
Special and extraordinary items				11,968,978		11,968,978
Internal transfers				(75,491)	75,491	
Total general revenues				<u>471,337,759</u>	<u>75,491</u>	<u>471,413,250</u>
Change in net assets				(54,854,488)	622,753	(54,231,735)
Net assets, July 1, 2009				<u>322,864,340</u>	<u>17,265,288</u>	<u>340,129,628</u>
Net assets, June 30, 2010				<u>\$ 268,009,852</u>	<u>\$ 17,888,041</u>	<u>\$ 285,897,893</u>

The accompanying notes are an integral part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments:			
Cash in County Treasury	\$ 16,793,109	\$ 86,941,424	\$ 103,734,533
Cash in revolving fund	96,611		96,611
Cash on hand and in banks	28,846	5,000	33,846
Cash awaiting deposit		58,025	58,025
Cash with Fiscal Agent		9,502,435	9,502,435
Accounts receivable	128,022,536	2,504,250	130,526,786
Prepaid expenditures	190,293		190,293
Due from other funds	68,170,985	35,788,683	103,959,668
Stores inventory	<u>2,967,757</u>	<u>60,411</u>	<u>3,028,168</u>
Total assets	<u>\$ 216,270,137</u>	<u>\$ 134,860,228</u>	<u>\$ 351,130,365</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 51,024,651	\$ 11,231,859	\$ 62,256,510
Deferred revenue	16,409,158	221,958	16,631,116
Due to other funds	<u>86,924,715</u>	<u>26,764,739</u>	<u>113,689,454</u>
Total liabilities	<u>154,358,524</u>	<u>38,218,556</u>	<u>192,577,080</u>
Fund balances:			
Reserved for:			
Revolving fund	96,611		96,611
Prepaid expenditures	190,293		190,293
Stores inventory	2,967,757	60,411	3,028,168
Unspent categorical revenue	18,459,673		18,459,673
Unreserved, reported in:			
General Fund	40,197,279		40,197,279
Special Revenue Funds		3,737,545	3,737,545
Capital Projects Funds		67,164,441	67,164,441
Debt Service Funds		<u>25,679,275</u>	<u>25,679,275</u>
Total fund balances	<u>61,911,613</u>	<u>96,641,672</u>	<u>158,553,285</u>
Total liabilities and fund balances	<u>\$ 216,270,137</u>	<u>\$ 134,860,228</u>	<u>\$ 351,130,365</u>

The accompanying notes are an integral part of these financial statements.

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

June 30, 2010

Total fund balances - Governmental Funds		\$ 158,553,285
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$734,710,003 and the accumulated depreciation is \$(245,081,989) (Note 4).		489,628,014
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, 2010 consisted of (Note 6):		
General Obligation Bonds	\$ (275,217,764)	
Accreted interest	(3,438,967)	
Certificates of Participation	(21,185,000)	
Capitalized lease obligations	(114,906)	
Qualified Zone Academy Bonds (QZABs)	(2,909,793)	
Other post employment benefits (Note 9)	(116,374,627)	
Compensated absences	(2,223,962)	
		(421,465,019)
Internal service funds are included in the government-wide financial statements.		51,191,032
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt		1,195,885
Unmatured interest on long-term liabilities is recognized in the period incurred.		(11,093,345)
Total net assets - governmental activities		\$ 268,009,852

The accompanying notes are an integral part of these financial statements.

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

For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Revenue limit sources:			
State apportionment	\$ 295,779,615		\$ 295,779,615
Local sources	<u>43,147,086</u>		<u>43,147,086</u>
Total revenue limit	<u>338,926,701</u>		<u>338,926,701</u>
Federal sources	108,219,382	\$ 1,373,191	109,592,573
Other state sources	172,745,852	16,502,135	189,247,987
Other local sources	<u>14,528,207</u>	<u>40,130,461</u>	<u>54,658,668</u>
Total revenues	<u>634,420,142</u>	<u>58,005,787</u>	<u>692,425,929</u>
Expenditures:			
Certificated salaries	329,892,859	4,586,135	334,478,994
Classified salaries	96,240,956	2,807,374	99,048,330
Employee benefits	145,519,888	2,335,473	147,855,361
Books and supplies	29,888,841	1,410,956	31,299,797
Contract services and operating expenditures	61,248,255	7,785,911	69,034,166
Capital outlay	2,828,494	27,063,426	29,891,920
Other outgo	1,454,972		1,454,972
Debt service:			
Principal retirement	827,170	48,956,131	49,783,301
Interest		<u>14,791,397</u>	<u>14,791,397</u>
Total expenditures	<u>667,901,435</u>	<u>109,736,803</u>	<u>777,638,238</u>
Deficiency of revenues under expenditures	<u>(33,481,293)</u>	<u>(51,731,016)</u>	<u>(85,212,309)</u>
Other financing sources (uses):			
Operating transfers in	4,988,244	41,198,877	46,187,121
Operating transfers out	(3,937,233)	(41,049,364)	(44,986,597)
Proceeds from sale of bonds		<u>70,826,842</u>	<u>70,826,842</u>
Total other financing sources (uses)	<u>1,051,011</u>	<u>70,976,355</u>	<u>72,027,366</u>
Net change in fund balances	(32,430,282)	19,245,339	(13,184,943)
Fund balances, July 1, 2009	<u>94,341,895</u>	<u>77,396,333</u>	<u>171,738,228</u>
Fund balances, June 30, 2010	<u>\$ 61,911,613</u>	<u>\$ 96,641,672</u>	<u>\$ 158,553,285</u>

The accompanying notes are an integral
part of these 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, 2010

Net change in fund balances - Total Governmental Funds		\$ (13,184,943)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	\$ 37,664,313	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(16,331,184)	
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6).	(70,826,842)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 6).	49,783,301	
Debt forgiveness on long-term liabilities decreases the long-term liabilities in the statement of net assets (Note 6).	11,968,978	
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(416,660)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	3,824,847	
Activities of the internal service fund are reported with governmental activities.	(14,767,779)	
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.	679,208	
In governmental funds, other post employment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 9).	(43,077,745)	
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).	(169,982)	(41,669,545)
Change in net assets of governmental activities		<u>\$ (54,854,488)</u>

The accompanying notes are an integral part of these financial statements.

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

June 30, 2010

ASSETS

Cash and investments.	
Cash in County Treasury	\$ 93,130,324
Cash on hand and in banks	1,906,727
Accounts receivable	609,738
Due from other funds	12,830,762
Prepaid expenditures	<u>717,752</u>
 Total assets	 <u>109,195,303</u>

LIABILITIES

Current liabilities:	
Accounts payable	9,844,535
Due to other funds	<u>199,277</u>
 Total current liabilities	 10,043,812
Self insurance claims liability	<u>47,960,459</u>
 Total liabilities	 <u>58,004,271</u>

NET ASSETS

Restricted	<u><u>\$ 51,191,032</u></u>
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The accompanying notes are an integral
part of these financial statements.

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

For the Year Ended June 30, 2010

Operating revenues.	
Self-insurance premiums	<u>\$118,359,485</u>
Operating expenses.	
Certificated salaries	102,986
Classified salaries	1,034,317
Employee benefits	504,344
Books and supplies	22,913
Contract services	<u>133,599,146</u>
Total operating expenses	<u>135,263,706</u>
Operating loss	(16,904,221)
Non-operating revenue:	
Interest income	<u>2,136,442</u>
Change in net assets	(14,767,779)
Total net assets, July 1, 2009	<u>65,958,811</u>
Total net assets, June 30, 2010	<u>\$ 51,191,032</u>

The accompanying notes are an integral
part of these financial statements.

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

For the Year Ended June 30, 2010

Cash flows from operating activities.	
Cash received from self-insurance premiums	\$ 102,047,534
Cash received from user charges	3,710,703
Cash paid for employee benefits	(137,433,099)
Cash paid for salaries	(1,641,647)
Cash paid for other expenses	<u>(22,913)</u>
Net cash used in operating activities	(33,339,422)
Cash flows provided by investing activities.	
Interest income received	<u>2,205,345</u>
Increase in cash and cash equivalents	(31,134,077)
Cash and cash equivalents, July 1, 2009	<u>126,171,128</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 95,037,051</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(16,904,221)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in:	
Amount due from other funds	(12,601,248)
Prepaid expenditures	405,828
Increase (decrease) in:	
Accounts payable	1,730,814
Amount due to other funds	(6,342,140)
Unpaid claims and claim adjustment expenses	<u>371,545</u>
Total adjustments	<u>(16,435,201)</u>
Net cash used in operating activities	<u>\$ (33,339,422)</u>

The accompanying notes are an integral part of these financial statements.

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

June 30, 2010

ASSETS

Current assets.	
Cash and investments.	
Cash in County Treasury	\$ 3,687,506
Cash on hand and in banks	9,218,115
Accounts receivable	5,321,143
Stores inventory	616,363
Due from other funds	<u>188,195</u>
Total current assets	<u>19,031,322</u>
Capital assets	6,679,829
Less accumulated depreciation	<u>(3,945,819)</u>
Total assets	<u>21,765,332</u>

LIABILITIES

Current liabilities:	
Accounts payable	787,397
Due to other funds	<u>3,089,894</u>
Total liabilities	<u>3,877,291</u>

NET ASSETS

Invested in capital assets	2,734,010
Restricted	<u>15,154,031</u>
Total net assets	<u>\$ 17,888,041</u>

The accompanying notes are an integral
part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND
CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2010

Operating revenues	
Federal revenues	\$ 30,733,638
Other state revenues	2,700,909
Other local revenues	<u>1,591,380</u>
Total operating revenues	<u>35,025,927</u>
Operating expenses.	
Classified salaries	10,105,476
Employee benefits	6,202,258
Books and supplies	14,048,536
Contract services	2,982,247
Depreciation	<u>376,732</u>
Total operating expenses	<u>33,715,249</u>
Operating income	<u>1,310,678</u>
Non-operating revenue (expense).	
Interest income	512,599
Interfund transfer in	75,491
Interfund transfer out	<u>(1,276,015)</u>
Total non-operating revenue (expense)	<u>(687,925)</u>
Change in net assets	622,753
Total net assets, July 1, 2009	<u>17,265,288</u>
Total net assets, June 30, 2010	<u><u>\$ 17,888,041</u></u>

The accompanying notes are an integral
part of these financial statements.

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

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from food sales	\$ 1,591,380
Cash received from Child Nutrition Programs	29,698,648
Cash paid for operating expenses	<u>(33,269,304)</u>
Net cash used in operating activities	<u>(1,979,276)</u>
Cash flows provided by investing activities:	
Interest income received	<u>645,625</u>
Decrease in cash and cash equivalents	(1,333,651)
Cash and cash equivalents, July 1, 2009	<u>14,239,272</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 12,905,621</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 1,310,678</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	376,732
Decrease in:	
Accounts receivable	(3,811,390)
Amount due from other funds	(188,195)
Inventory	281,071
Other assets	10,000
Accounts payable	127,692
Amount due to other funds	<u>(85,864)</u>
Total adjustments	<u>(3,289,954)</u>
Net cash used in operating activities	<u>\$ (1,979,276)</u>

The accompanying notes are an integral part of these financial statements

**FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS**

AGENCY FUNDS

June 30, 2010

ASSETS

Cash on hand and in banks (Note 2)	\$ 1,956,823
Stores inventory	<u>39,081</u>
Total assets	<u>\$ 1,995,904</u>

LIABILITIES

Due to student groups	<u>\$ 1,995,904</u>
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The accompanying notes are an integral
part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition of GASB Codification Section (Cod. Sec.) 2100 101, for inclusion of the Corporation as a component unit of the District. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental organization's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the depended unit should be reported as a part of the other.

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

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2010, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the COP Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

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

2 - Special Revenue Funds:

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

3 - Capital Projects Funds.

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

4 - Debt Service Fund:

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Proprietary Funds

1 - Self-Insurance Fund

The Self-Insurance Fund is an internal service fund which is used to account for the District's property and liability claims, workers' compensation claims, and health benefits to current and retired employees, including medical, vision, dental and long-term sick leave.

2 - Cafeteria Fund

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

C - Fiduciary Fund Type

1 - Student Body Fund

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

Basis of Accounting

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

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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Stores Inventory

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

Cafeteria Food Purchases

The Cafeteria Fund statement of revenues, expenses and change in fund net assets reflects supplies expense of \$14,048,536. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

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

Interfund Activity

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$2,223,962 is for the earned but unused benefits.

Accumulated Sick Leave

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

Deferred Revenue

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

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues and capital projects represent the portions of net assets restricted for special revenues and capital projects, respectively. The restriction for debt service represents the amount the District plans to expend in the ensuing fiscal year on debt service. The restriction for self-insurance represents the amount restricted to pay self-insured claims. The restriction for food service operations represents the portion of net assets restricted for food service operations.

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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

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

2. CASH AND INVESTMENTS

Cash at June 30, 2010 consisted of the following:

	Governmental Activities				
	Governmental Funds	Proprietary Fund	Total	Business-Type Activities	Fiduciary Activities
Pooled Funds:					
Cash in County Treasury	\$ 103,734,533	\$ 93,130,324	\$ 196,864,857	\$ 3,687,506	
Cash awaiting deposit	<u>58,025</u>		<u>58,025</u>		
Total pooled funds	<u>103,792,558</u>	<u>93,130,324</u>	<u>196,922,882</u>	<u>3,687,506</u>	
Deposits:					
Cash on hand and in banks	33,846	1,906,727	1,940,573	9,218,115	\$ 1,956,823
Cash in revolving fund	<u>96,611</u>		<u>96,611</u>		
Total deposits	<u>130,457</u>	<u>1,906,727</u>	<u>2,037,184</u>	<u>9,218,115</u>	<u>1,956,823</u>
Cash with Fiscal Agent	<u>9,502,435</u>		<u>9,502,435</u>		
Total cash and cash equivalents	<u>\$ 113,425,450</u>	<u>\$ 95,037,051</u>	<u>\$ 208,462,501</u>	<u>\$ 12,905,621</u>	<u>\$ 1,956,823</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

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

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2010, 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

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) and are collateralized by the respective financial institution. At June 30, 2010, the carrying amount of the District's accounts was \$13,212,122, and the bank balances were \$12,774,135. Of the bank balances, \$1,486,407 was covered by the FDIC or NCUA insurance and \$11,287,728 was uninsured but collateralized.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

Cash with Fiscal Agent

Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for repayment of General Obligation Bonds and other long-term liabilities.

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

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2010 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds.		
General	\$ 68,170,985	\$ 86,924,715
Non-Major Funds.		
Adult Education	5,750,408	6,882,729
Child Development	388,542	1,189,833
Deferred Maintenance	638,485	71,274
Building		14,737,030
Capital Facilities	150	54,153
County School Facilities	15,280,401	3,238,098
Special Reserve for Capital Outlay	13,719,059	586,582
Tax Override	3,248	5,040
COP Debt Service	8,390	
Proprietary Fund:		
Self-Insurance	12,830,762	199,277
<u>Business-Type Activities</u>		
Cafeteria Fund	<u>188,195</u>	<u>3,089,894</u>
Totals	<u>\$116,978,625</u>	<u>\$116,978,625</u>

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2009-10 fiscal year were as follows

Transfer from the Building Fund to the County School Facilities Fund to contribute the local share by project.	\$ 26,191,422
Transfer from the Tax Override Fund to the COP Debt Service Fund for COP payments due.	10,611,214
Transfer from the General Fund to the Deferred Maintenance to account for the current year allocation of deferred maintenance funding.	3,356,409
Transfer from the Building Fund to the General Fund to contribute to restricted routine maintenance.	3,356,409
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,276,015
Transfer from the Special Reserve for Capital Outlay Fund to the County School Facilities Fund to contribute the local share by project.	534,499
Transfer from the General Fund to the Adult Education Fund to support Adult Education as flexibility has been provided by the State.	501,258
Transfer from the Child Development Fund to the General Fund for indirect costs.	294,442
Transfer from the General Fund to the Cafeteria Fund for Williams Reimbursement.	75,491
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	44,856
Transfer from the Adult Education Fund to the General Fund for indirect costs.	16,522
Transfer from the General Fund to Capital Facilities Fund for Williams Reimbursement.	2,489
Transfer from the General Fund to the County School Facilities Fund for Williams Reimbursement.	1,231
Transfer from the General Fund to the Child Development Fund for Williams Reimbursement.	206
Transfer from the General Fund to the Deferred Maintenance Fund for Williams Reimbursement.	149
	<u>\$ 46,262,612</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Transfers and Additions	Transfers and Deletions	Balance June 30, 2010
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 45,890,363	\$ 202,054		\$ 46,092,417
Work-in-process	47,842,806	36,933,770	\$ (21,478,881)	63,297,695
Depreciable:				
Land improvements	37,341,603	6,408,108		43,749,711
Buildings	538,569,778	15,070,773		553,640,551
Equipment	<u>27,401,140</u>	<u>528,489</u>		<u>27,929,629</u>
Totals, at cost	<u>697,045,690</u>	<u>59,143,194</u>	<u>(21,478,881)</u>	<u>734,710,003</u>
Less accumulated depreciation:				
Land improvements	(17,676,571)	(1,571,332)		(19,247,903)
Buildings	(192,047,910)	(12,760,462)		(204,808,372)
Equipment	<u>(19,026,324)</u>	<u>(1,999,390)</u>		<u>(21,025,714)</u>
Total accumulated depreciation	<u>(228,750,805)</u>	<u>(16,331,184)</u>		<u>(245,081,989)</u>
Governmental activities capital assets, net	<u>\$ 468,294,885</u>	<u>\$ 42,812,010</u>	<u>\$ (21,478,881)</u>	<u>\$ 489,628,014</u>
<u>Business-Type Activities</u>				
Equipment	\$ 6,679,829			\$ 6,679,829
Less accumulated depreciation	<u>(3,569,087)</u>	<u>\$ (376,732)</u>		<u>(3,945,819)</u>
Business-Type activities capital assets, net	<u>\$ 3,110,742</u>	<u>\$ (376,732)</u>	<u>\$ -</u>	<u>\$ 2,734,010</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2010 as follows.

Governmental activities:	
Unallocated	<u>\$ (16,331,184)</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ (376,732)</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2010, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of \$964,000 is based on an actuarial estimate as of May 31, 2009, discounted at 3%. The workers' compensation claims liability of \$32,423,752 is based on an actuarial estimate as of June 30, 2009, discounted at 3%. The health claims liability of \$14,572,707 is based on claims lag data from the District's claim system. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the years ended June 30, 2010 and 2009 were as follows.

	Property and Liability	Workers' Compen- sation	Health	Total
Claims liability at June 30, 2008	\$ 1,580,204	\$ 35,790,105	\$ 12,540,594	\$ 49,910,903
Incurred claims	396,241	2,670,042	113,826,156	116,892,439
Paid claims	<u>(901,578)</u>	<u>(6,036,395)</u>	<u>(112,276,455)</u>	<u>(119,214,428)</u>
Claims liability at June 30, 2009	<u>1,074,867</u>	<u>32,423,752</u>	<u>14,090,295</u>	<u>47,588,914</u>
Incurred claims	589,124	6,053,840	122,735,978	129,378,942
Paid claims	<u>(699,991)</u>	<u>(6,053,840)</u>	<u>(122,253,566)</u>	<u>(129,007,397)</u>
Claims liability at June 30, 2010	<u><u>\$ 964,000</u></u>	<u><u>\$ 32,423,752</u></u>	<u><u>\$ 14,572,707</u></u>	<u><u>\$ 47,960,459</u></u>

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

6. LONG-TERM LIABILITIES

General Obligation Bonds

Issue	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2010
1998 Series A	4.8 - 6.15%	1998	2021	\$ 33,235,000	\$ 22,110,000		\$ 1,350,000	\$ 20,760,000
1998 Refunding Series B								
Current Interest	5.5 - 6.95%	1998	2017	26,998,742	13,650,000		1,390,000	12,260,000
1999 Refunding Series B								
Capital Appreciation	5.5 - 6.95%	1998	2022		2,903,742			2,903,742
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	29,485,000		1,500,000	27,985,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	58,100,000		1,120,000	56,980,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	49,025,000		1,830,000	47,195,000
2004 Series A	2.0 - 4.25%	2004	2021	10,645,000	8,120,000		545,000	7,575,000
2001 Series D	4.125 - 5.0%	2005	2031	31,000,000	29,490,000		810,000	28,680,000
2001 Series E	4.0 - 5.0%	2007	2031	35,000,000	33,325,000		895,000	32,430,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	9,445,000		325,000	9,120,000
2010 Qualified School Construction Bonds	5.95%	2010	2026	41,397,820		\$ 41,397,820	41,397,820	
2001 Series F	5.48%	2009	2026	29,429,022		29,429,022	100,000	29,329,022
				<u>\$ 339,627,764</u>	<u>\$ 255,653,742</u>	<u>\$ 70,826,842</u>	<u>\$ 51,262,820</u>	<u>\$ 275,217,764</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,455,000	\$ 1,295,848	\$ 2,750,848
2012	1,545,000	1,205,328	2,750,328
2013	1,660,000	1,107,980	2,767,980
2014	1,765,000	1,003,095	2,768,095
2015	1,885,000	887,820	2,772,820
2016-2020	11,545,000	2,372,138	13,917,138
2021	<u>905,000</u>	<u>29,639</u>	<u>934,639</u>
	<u>\$ 20,760,000</u>	<u>\$ 7,901,848</u>	<u>\$ 28,661,848</u>

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2010, are as follows

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,490,000	\$ 778,153	\$ 2,268,153
2012	1,600,000	677,671	2,277,671
2013	1,715,000	569,185	2,284,185
2014	1,845,000	451,918	2,296,918
2015	1,970,000	327,035	2,297,035
2016-2017	<u>3,640,000</u>	<u>244,365</u>	<u>3,884,365</u>
	<u>\$ 12,260,000</u>	<u>\$ 3,048,327</u>	<u>\$ 15,308,327</u>

The annual payments required to amortize the 1998 Refunding, Series B, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2010, are as follows

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-2020	\$ 1,990,368	\$ 5,689,632	\$ 7,680,000
2021-2022	<u>913,374</u>	<u>3,331,626</u>	<u>4,245,000</u>
	<u>\$ 2,903,742</u>	<u>\$ 9,021,258</u>	<u>\$ 11,925,000</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,555,000	\$ 1,628,760	\$ 3,183,760
2012	1,635,000	1,538,550	3,173,550
2013	1,775,000	1,442,850	3,217,850
2014	1,895,000	1,338,740	3,233,740
2015	2,045,000	1,227,960	3,272,960
2016-2020	12,275,000	4,171,492	16,446,492
2021-2023	<u>6,805,000</u>	<u>611,535</u>	<u>7,416,535</u>
	<u>\$ 27,985,000</u>	<u>\$ 11,959,887</u>	<u>\$ 39,944,887</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,175,000	\$ 3,314,553	\$ 4,489,553
2012	2,595,000	3,260,212	5,855,212
2013	2,635,000	3,140,436	5,775,436
2014	2,530,000	3,007,338	5,537,338
2015	2,930,000	2,866,215	5,796,215
2016-2020	17,900,000	11,478,900	29,378,900
2021-2025	24,445,000	5,350,500	29,795,500
2026-2027	<u>2,770,000</u>	<u>159,000</u>	<u>2,929,000</u>
	<u>\$ 56,980,000</u>	<u>\$ 32,577,154</u>	<u>\$ 89,557,154</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2010, are as follows

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,920,000	\$ 2,293,483	\$ 4,213,483
2012	2,000,000	2,218,475	4,218,475
2013	2,095,000	2,137,183	4,232,183
2014	2,190,000	2,049,938	4,239,938
2015	2,290,000	1,956,450	4,246,450
2016-2020	13,410,000	8,032,120	21,442,120
2021-2025	17,220,000	4,307,866	21,527,866
2026-2028	<u>6,070,000</u>	<u>412,911</u>	<u>6,482,911</u>
	<u>\$ 47,195,000</u>	<u>\$ 23,408,426</u>	<u>\$ 70,603,426</u>

The annual payments required to amortize the 2004, Series A, Current Interest General Obligation Bonds outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 565,000	\$ 287,087	\$ 852,087
2012	580,000	269,912	849,912
2013	605,000	249,112	854,112
2014	630,000	224,412	854,412
2015	655,000	198,712	853,712
2016-2020	3,725,000	565,603	4,290,603
2021	<u>815,000</u>	<u>17,319</u>	<u>832,319</u>
	<u>\$ 7,575,000</u>	<u>\$ 1,812,157</u>	<u>\$ 9,387,157</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2005, Series 2001D, General Obligation Bonds outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 845,000	\$ 1,351,131	\$ 2,196,131
2012	885,000	1,307,881	2,192,881
2013	925,000	1,262,631	2,187,631
2014	965,000	1,215,381	2,180,381
2015	1,010,000	1,166,006	2,176,006
2016-2020	5,780,000	5,006,780	10,786,780
2021-2025	7,225,000	3,413,381	10,638,381
2026-2030	9,005,000	1,514,484	10,519,484
2031	<u>2,040,000</u>	<u>44,625</u>	<u>2,084,625</u>
	<u>\$ 28,680,000</u>	<u>\$ 16,282,300</u>	<u>\$ 44,962,300</u>

The annual payments required to amortize the 2007, Series E, General Obligation Bonds payable, outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 940,000	\$ 1,474,388	\$ 2,414,388
2012	985,000	1,435,888	2,420,888
2013	1,030,000	1,395,587	2,425,587
2014	1,080,000	1,353,387	2,433,387
2015	1,130,000	1,309,187	2,439,187
2016-2020	6,485,000	5,804,121	12,289,121
2021-2025	8,160,000	4,196,197	12,356,197
2026-2030	10,270,000	1,918,000	12,188,000
2031	<u>2,350,000</u>	<u>58,750</u>	<u>2,408,750</u>
	<u>\$ 32,430,000</u>	<u>\$ 18,945,505</u>	<u>\$ 51,375,505</u>

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

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2007, Refunding 1995 Series B, General Obligation Bonds payable, outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 345,000	\$ 385,463	\$ 730,463
2012	360,000	362,550	722,550
2013	370,000	342,525	712,525
2014	390,000	326,400	716,400
2015	405,000	310,500	715,500
2016-2020	2,330,000	1,288,000	3,618,000
2021-2025	2,890,000	761,500	3,651,500
2026-2028	<u>2,030,000</u>	<u>135,380</u>	<u>2,165,380</u>
	<u>\$ 9,120,000</u>	<u>\$ 3,912,318</u>	<u>\$ 13,032,318</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,715,641	\$ 1,560,791	\$ 3,276,432
2012	530,756	1,499,217	2,029,973
2013	566,754	1,469,135	2,035,889
2014	1,144,729	1,422,223	2,566,952
2015	1,419,412	1,351,940	2,771,352
2016-2020	9,085,668	5,391,133	14,476,801
2021-2025	12,034,232	2,494,989	14,529,221
2026	<u>2,831,830</u>	<u>77,621</u>	<u>2,909,451</u>
	<u>\$ 29,329,022</u>	<u>\$ 15,267,049</u>	<u>\$ 44,596,071</u>

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

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

<u>Issue</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
1997 COPs	4.00 - 5.00%	1998	\$ 20,840,000	\$ 5,720,000		\$ 1,815,000	\$ 3,905,000
1998A Refunding COPs	4.00 - 4.75%	1998	51,930,000	16,585,000		5,575,000	11,010,000
2001 Refunding COPs	4.00 - 4.40%	2001	10,655,000	4,635,000		1,000,000	3,635,000
2003 Refunding COPs	2.00 - 3.50%	2003	10,380,000	3,815,000		1,180,000	2,635,000
			<u>\$ 93,805,000</u>	<u>\$ 30,755,000</u>	<u>\$ -</u>	<u>\$ 9,570,000</u>	<u>\$ 21,185,000</u>

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

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The annual payments required to amortize the 1997 Certificates of Participation outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,905,000	\$ 147,625	\$ 2,052,625
2012	<u>2,000,000</u>	<u>50,000</u>	<u>2,050,000</u>
	<u>\$ 3,905,000</u>	<u>\$ 197,625</u>	<u>\$ 4,102,625</u>

The annual payments required to amortize the 1998, Series A, Refunding Certificates of Participation outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,975,000	\$ 515,506	\$ 6,490,506
2012	<u>5,035,000</u>	<u>239,162</u>	<u>5,274,162</u>
	<u>\$ 11,010,000</u>	<u>\$ 754,668</u>	<u>\$ 11,764,668</u>

The annual payments required to amortize the 2001, Refunding Certificates of Participation outstanding as of June 30, 2010, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,565,000	\$ 158,375	\$ 1,723,375
2012	<u>2,070,000</u>	<u>91,080</u>	<u>2,161,080</u>
	<u>\$ 3,635,000</u>	<u>\$ 249,455</u>	<u>\$ 3,884,455</u>

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

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The annual payments required to amortize the 2003, Refunding Certificates of Participation outstanding as of June 30, 2010, are as follows

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,215,000	\$ 89,187	\$ 1,304,187
2012	<u>1,420,000</u>	<u>49,700</u>	<u>1,469,700</u>
	<u>\$ 2,635,000</u>	<u>\$ 138,887</u>	<u>\$ 2,773,887</u>

Capitalized Lease Obligations

The District leases portables for child development centers on District campuses under long-term lease purchase agreements with a zero interest rate. A summary of future minimum lease payments is as follows.

<u>Year Ending June 30,</u>	<u>Annual</u>
2011	\$ 69,953
2012	<u>44,953</u>
Net minimum lease payments	<u>\$ 114,906</u>

Other Leases

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

Qualified Zone Academy Bonds

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bonds (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2011	\$ 846,510
2012	893,374
2013	942,906
2014	<u>227,003</u>
Total payments remaining	<u>\$ 2,909,793</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2010 is shown below:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 255,653,742	\$ 70,826,842	\$ 51,262,820	\$ 275,217,764	\$ 12,005,641
Accreted interest	3,022,307	416,660		3,438,967	
Certificates of Participation	30,755,000		9,570,000	21,185,000	10,660,000
Capitalized lease obligations	232,195		117,289	114,906	69,953
QZABs	3,711,963		802,170	2,909,793	846,510
Other postemployment benefits (Note 9)	73,296,882	78,074,592	34,996,847	116,374,627	
Compensated absences	<u>2,053,980</u>	<u>169,982</u>		<u>2,223,962</u>	<u>2,223,962</u>
Totals	<u>\$ 368,726,069</u>	<u>\$ 149,488,076</u>	<u>\$ 96,749,126</u>	<u>\$ 421,465,019</u>	<u>\$ 25,806,066</u>

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

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

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2010:

	<u>Governmental Activities</u>
Revolving cash fund	\$ 96,611
Prepaid expenditures	2,103,930
Stores inventory	3,028,168
Unspent categorical program revenues	18,459,673
Special revenues	3,737,545
Capital projects	67,164,441
Debt service	16,176,840
Self-insurance	<u>51,191,032</u>
	<u>\$161,958,240</u>
	<u>Business-Type Activities</u>
Stores inventory	\$ 616,363
Food service operations	<u>14,537,668</u>
	<u>\$ 15,154,031</u>

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$8,516,754, \$8,770,926 and \$9,083,744, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$28,884,136, \$27,622,367 and \$27,068,040, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$ 79,177,540
Interest on net OPEB obligation	3,663,928
Adjustment to annual required contribution	<u>(4,766,876)</u>
Annual OPEB cost (expense)	78,074,592
Contributions made	<u>(34,996,847)</u>
Increase in net OPEB obligation	43,077,745
Net OPEB obligation - beginning of year	<u>73,296,882</u>
Net OPEB obligation - end of year	<u><u>\$116,374,627</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 was as follows (dollar amounts in thousands).

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 66,913,974	43.8%	\$ 37,569,446
June 30, 2009	\$ 67,234,427	46.9%	\$ 73,296,882
June 30, 2010	\$ 78,074,592	44.8%	\$ 116,374,627

As of July 1, 2009, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was \$981 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$444 million, and the ratio of the UAAL to the covered payroll was 220 percent.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 2 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 27 years.

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2009 (the most recent information available):

Total assets	\$ 32,647,433
Total liabilities	\$ 31,913,879
Net assets	\$ 733,554
Total revenues	\$ 1,468,633
Total expenses	\$ 1,596,951
Change in net assets	\$ (128,318)

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENT (Continued)

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

11. CONTINGENCIES

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

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

12. SUBSEQUENT EVENTS

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds will be used to refund portions of 2001, Series D, General Obligation Bonds. The Refunding Bonds will bear an interest rate ranging from 2.0% to 4.0% and mature through August 1, 2022.

The District has reviewed all events occurring from June 30, 2010 through November 23, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 320,537,565	\$ 293,835,931	\$ 295,779,615	\$ 1,943,684
Local sources	<u>47,579,436</u>	<u>47,579,436</u>	<u>43,147,086</u>	<u>(4,432,350)</u>
Total revenue limit	<u>368,117,001</u>	<u>341,415,367</u>	<u>338,926,701</u>	<u>(2,488,666)</u>
Federal sources	127,197,975	141,540,449	108,219,382	(33,321,067)
Other state sources	168,745,171	164,294,649	172,745,852	8,451,203
Other local sources	<u>19,347,252</u>	<u>22,191,160</u>	<u>14,528,207</u>	<u>(7,662,953)</u>
Total revenues	<u>683,407,399</u>	<u>669,441,625</u>	<u>634,420,142</u>	<u>(35,021,483)</u>
Expenditures:				
Certificated salaries	324,060,049	332,713,928	329,892,859	2,821,069
Classified salaries	95,427,372	96,772,733	96,240,956	531,777
Employee benefits	145,646,397	146,568,702	145,519,888	1,048,814
Books and supplies	54,266,384	67,107,209	29,888,841	37,218,368
Contract services and operating expenditures	57,983,576	77,230,933	61,248,255	15,982,678
Capital outlay	9,442,191	10,037,951	2,828,494	7,209,457
Other outgo	1,878,078	2,104,193	1,454,972	649,221
Debt service:				
Principal retirement	<u>689,824</u>	<u>503,078</u>	<u>827,170</u>	<u>(324,092)</u>
Total expenditures	<u>689,393,871</u>	<u>733,038,727</u>	<u>667,901,435</u>	<u>65,137,292</u>
Deficiency of revenues under expenditures	<u>(5,986,472)</u>	<u>(63,597,102)</u>	<u>(33,481,293)</u>	<u>30,115,809</u>
Other financing (uses) sources:				
Operating transfers in	5,443,900	5,452,746	4,988,244	(464,502)
Operating transfers out	<u>(16,998,132)</u>	<u>(7,005,989)</u>	<u>(3,937,233)</u>	<u>3,068,756</u>
Total other financing (uses) sources	<u>(11,554,232)</u>	<u>(1,553,243)</u>	<u>1,051,011</u>	<u>2,604,254</u>
Net change in fund balance	(17,540,704)	(65,150,345)	(32,430,282)	32,720,063
Fund balance, July 1, 2009	<u>94,341,895</u>	<u>94,341,895</u>	<u>94,341,895</u>	<u> </u>
Fund balance, June 30, 2010	<u>\$ 76,801,191</u>	<u>\$ 29,191,550</u>	<u>\$ 61,911,613</u>	<u>\$ 32,720,063</u>

The accompanying notes are an integral part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2010

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

The accompanying notes are an integral
part of these financial statements.

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>State School Building Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Tax Override Fund</u>	<u>COP Debt Service Fund</u>	<u>Total</u>
ASSETS												
Cash in County Treasury	\$ 750,253	\$ 485	\$ 3,375,518	\$ 29,364,282	\$ 11,853,050	\$ 6,949,295	\$ 9,020,153	\$ 9,519,509	\$ 15,232,542	\$ 868,645	\$ 7,692	\$ 86,941,424
Cash on hand and in banks	5,000											5,000
Cash awaiting deposit					58,025							58,025
Cash with Fiscal Agent											9,502,435	9,502,435
Accounts receivable	777,767	1,248,528	17,042	176,714	61,455	36,515	10,861	114,005	55,266	3,183	2,914	2,504,250
Due from other funds	5,750,408	388,542	638,485		150		15,280,401	13,719,059		3,248	8,390	35,788,683
Inventory	60,411											60,411
Total assets	<u>\$ 7,343,839</u>	<u>\$ 1,637,555</u>	<u>\$ 4,031,045</u>	<u>\$ 29,540,996</u>	<u>\$ 11,972,680</u>	<u>\$ 6,985,810</u>	<u>\$ 24,311,415</u>	<u>\$ 23,352,573</u>	<u>\$ 15,287,808</u>	<u>\$ 875,076</u>	<u>\$ 9,521,431</u>	<u>\$ 134,860,228</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 253,928	\$ 70,419	\$ 524,342		\$ 19,471	\$ 6,985,810	\$ 3,359,515	\$ 18,374				\$ 11,231,859
Due to other funds	6,882,729	1,189,833	71,274	\$ 14,737,030	54,153		3,238,098	586,582		\$ 5,040		26,764,739
Deferred revenue	57,182	164,776										221,958
Total liabilities	7,193,839	1,425,028	595,616	14,737,030	73,624	6,985,810	6,597,613	604,956		5,040		38,218,556
Fund balances	<u>150,000</u>	<u>212,527</u>	<u>3,435,429</u>	<u>14,803,966</u>	<u>11,899,056</u>		<u>17,713,802</u>	<u>22,747,617</u>	<u>15,287,808</u>	<u>870,036</u>	<u>9,521,431</u>	<u>96,641,672</u>
Total liabilities and fund balances	<u>\$ 7,343,839</u>	<u>\$ 1,637,555</u>	<u>\$ 4,031,045</u>	<u>\$ 29,540,996</u>	<u>\$ 11,972,680</u>	<u>\$ 6,985,810</u>	<u>\$ 24,311,415</u>	<u>\$ 23,352,573</u>	<u>\$ 15,287,808</u>	<u>\$ 875,076</u>	<u>\$ 9,521,431</u>	<u>\$ 134,860,228</u>

The accompanying notes are an integral part of these financial statements.

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

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2010

	Adult Education Fund	Child Develop- ment Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
Revenues:												
Federal sources	\$ 1,056,473	\$ 316,718										\$ 1,373,191
Other state sources	885,238	8,393,049					\$ 6,918,131		\$ 160,812	\$ 144,905		16,502,135
Other local sources	839,977	59,284	\$ 32,018	\$ 450,108	\$ 1,742,371		199,608	\$ 3,341,454	24,913,936	8,258,465	\$ 293,240	40,130,461
Total revenues	2,781,688	8,769,051	32,018	450,108	1,742,371		7,117,739	3,341,454	25,074,748	8,403,370	293,240	58,005,787
Expenditures:												
Certificated salaries	951,841	3,634,294										4,586,135
Classified salaries	569,625	1,747,173			1,593		275,740	213,243				2,807,374
Employee benefits	504,312	1,629,867			734		111,017	89,543				2,335,473
Books and supplies	322,993	326,370	191,410		14,023		556,160					1,410,956
Contract services and operating expenditures	378,955	451,769	1,712,682	718,092	841,435		3,550,191	132,787				7,785,911
Capital outlay					3,014,117		22,077,981	1,971,328				27,063,426
Debt service:												
Principal retirement		92,289		29,428,842					9,865,000		9,570,000	48,956,131
Interest									13,461,243		1,330,154	14,791,397
Total expenditures	2,727,726	7,881,762	1,904,092	30,146,934	3,871,902		26,571,089	2,406,901	23,326,243		10,900,154	109,736,803
Excess (deficiency) of revenues over (under) expenditures	53,962	887,289	(1,872,074)	(29,696,826)	(2,129,531)		(19,453,350)	934,553	1,748,505	8,403,370	(10,606,914)	(51,731,016)
Other financing sources (uses):												
Operating transfers in	501,258	206	3,356,558		2,489		26,727,152				10,611,214	41,198,877
Operating transfers out	(16,522)	(294,442)		(29,547,831)	(44,856)			(534,499)		(10,611,214)		(41,049,364)
Proceeds from sale of bonds				70,826,842								70,826,842
Total other financing sources (uses)	484,736	(294,236)	3,356,558	41,279,011	(42,367)		26,727,152	(534,499)		(10,611,214)	10,611,214	70,976,355
Net change in fund balances	538,698	593,053	1,484,484	11,582,185	(2,171,898)		7,273,802	400,054	1,748,505	(2,207,844)	4,300	19,245,339
Fund balances, July 1, 2009	(388,698)	(380,526)	1,950,945	3,221,781	14,070,954		10,440,000	22,347,563	13,539,303	3,077,880	9,517,131	77,396,333
Fund balances, June 30, 2010	\$ 150,000	\$ 212,527	\$ 3,435,429	\$ 14,803,966	\$ 11,899,056	\$ -	\$ 17,713,802	\$ 22,747,617	\$ 15,287,808	\$ 870,036	\$ 9,521,431	\$ 96,641,672

The accompanying notes are an integral part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 467,527	\$ 2,195,490	\$ 2,227,985	\$ 435,032
Stores inventory				
Total assets	<u>\$ 467,527</u>	<u>\$ 2,195,490</u>	<u>\$ 2,227,985</u>	<u>\$ 435,032</u>
Liabilities:				
Due to student groups	<u>\$ 467,527</u>	<u>\$ 2,195,490</u>	<u>\$ 2,227,985</u>	<u>\$ 435,032</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 278,694	\$ 945,692	\$ 962,754	\$ 261,632
Stores inventory	<u>32,325</u>	<u>83,926</u>	<u>98,414</u>	<u>17,837</u>
Total assets	<u>\$ 311,019</u>	<u>\$ 1,029,618</u>	<u>\$ 1,061,168</u>	<u>\$ 279,469</u>
Liabilities:				
Due to student groups	<u>\$ 311,019</u>	<u>\$ 1,029,618</u>	<u>\$ 1,061,168</u>	<u>\$ 279,469</u>
<u>Special Programs</u>				
Assets:				
Cash on hand and in banks	\$ 14,270	\$ 4,475	\$ 7,479	\$ 11,266
Stores inventory				
Total assets	<u>\$ 14,270</u>	<u>\$ 4,475</u>	<u>\$ 7,479</u>	<u>\$ 11,266</u>
Liabilities:				
Due to student groups	<u>\$ 14,270</u>	<u>\$ 4,475</u>	<u>\$ 7,479</u>	<u>\$ 11,266</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,281,221	\$ 3,243,482	\$ 3,275,810	\$ 1,248,893
Stores inventory	<u>48,553</u>	<u>108,285</u>	<u>135,594</u>	<u>21,244</u>
Total assets	<u>\$ 1,329,774</u>	<u>\$ 3,351,767</u>	<u>\$ 3,411,404</u>	<u>\$ 1,270,137</u>
Liabilities:				
Due to student groups	<u>\$ 1,329,774</u>	<u>\$ 3,351,767</u>	<u>\$ 3,411,404</u>	<u>\$ 1,270,137</u>

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 2,041,712	\$ 6,389,139	\$ 6,474,028	\$ 1,956,823
Stores inventory	<u>80,878</u>	<u>192,211</u>	<u>234,008</u>	<u>39,081</u>
Total assets	<u>\$ 2,122,590</u>	<u>\$ 6,581,350</u>	<u>\$ 6,708,036</u>	<u>\$ 1,995,904</u>
Liabilities:				
Due to student groups	<u>\$ 2,122,590</u>	<u>\$ 6,581,350</u>	<u>\$ 6,708,036</u>	<u>\$ 1,995,904</u>

The accompanying notes are an integral
part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

Fresno Unified School District, a political subdivision of the State of California, was established on July 1, 1948. The District serves grades kindergarten through twelve and operates sixty-three elementary, fifteen middle, eight comprehensive high schools, four alternative high schools, one independent study center, and one community day school. 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, 2010 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Valerie F. Davis	President	2010
Michelle A. Asadoorian	Clerk	2010
Lindsay Cal Johnson	Member	2010
Carol Mills, J.D.	Member	2012
Larry A. Moore	Member	2012
Janet Ryan	Member	2012
Tony Vang, Ed. D	Member	2010

The Superintendent's Executive Staff at June 30, 2010 was comprised of the following:

Michael E. Hanson Superintendent	
Ruth F. Quinto, CPA Deputy Superintendent, Administrative Services / Chief Financial Officer	Cynthia D. Tucker Associate Superintendent, School Support Services
Kim Mecum Associate Superintendent, Human Resources / Labor Relations	Miguel Arias Chief Information Officer
Kurt Madden Associate Superintendent, Information Technology / Chief Technology Officer	Jorge Aguilar Associate Superintendent, Equity and Access
Chris Evans Associate Superintendent, School Leadership / Secondary Education	Steven Martinez Assistant Superintendent, Instructional Support Services / Secondary Education
Nancy Akhavan Assistant Superintendent / School Leadership 7-8	Rosario Sanchez Assistant Superintendent / School Leadership K-6
Holland Locker Assistant Superintendent / School Leadership K-6	Dr. Sue Smits Assistant Superintendent / School Leadership K-6
Dr. Mabel Franks Assistant Superintendent / Special Education	Tracewell Hanrahan Executive Officer / School Leadership
Vincent Harris Executive Officer / Accountability	Barbara Bengel Assistant Superintendent, State and Federal Programs
Karin Temple Assistant Superintendent / Operational Services	Jacquie Canfield Executive Director, Fiscal Services
Kim Kelstrom Director, Fiscal Services	

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	5,562	5,589
First through Third	16,238	16,210
Fourth through Eighth	24,995	24,856
Special Education	1,525	1,534
Community Day School	47	55
Home and Hospital	8	9
Non Public Schools	<u>4</u>	<u>4</u>
Subtotal Elementary	<u>48,379</u>	<u>48,257</u>
Secondary:		
Regular Classes	17,945	17,551
Special Education	905	900
Compulsory Continuation Education	531	492
Home and Hospital	7	8
Non Public Schools	<u>2</u>	<u>2</u>
Subtotal Secondary	<u>19,390</u>	<u>18,953</u>
Charter School - Classroom-based:		
Kindergarten	47	47
First through Third	82	82
Fourth through Eighth	<u>105</u>	<u>105</u>
Subtotal Charter School - Classroom-based	<u>234</u>	<u>234</u>
District Totals	<u><u>68,003</u></u>	<u><u>67,444</u></u>

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
District:					
Kindergarten	36,000	31,680	36,000	180	In Compliance
Grade 1	50,400	43,095	55,440	180	In Compliance
Grade 2	50,400	43,095	55,440	180	In Compliance
Grade 3	50,400	43,095	55,440	180	In Compliance
Grade 4	54,000	54,000	55,440	180	In Compliance
Grade 5	54,000	54,000	55,440	180	In Compliance
Grade 6	54,000	54,000	55,440	180	In Compliance
Grade 7	54,000	54,000	59,165	180	In Compliance
Grade 8	54,000	54,000	59,165	180	In Compliance
Grade 9	64,800	54,560	64,800	180	In Compliance
Grade 10	64,800	54,560	64,800	180	In Compliance
Grade 11	64,800	54,560	64,800	180	In Compliance
Grade 12	64,800	54,560	64,800	180	In Compliance
Sunset Charter School:					
Kindergarten	36,000	N/A	46,800	180	In Compliance
Grade 1	50,400	N/A	55,440	180	In Compliance
Grade 2	50,400	N/A	55,440	180	In Compliance
Grade 3	50,400	N/A	55,440	180	In Compliance
Grade 4	54,000	N/A	55,440	180	In Compliance
Grade 5	54,000	N/A	55,440	180	In Compliance
Grade 6	54,000	N/A	55,440	180	In Compliance
Grade 7	54,000	N/A	55,440	180	In Compliance
Grade 8	54,000	N/A	55,440	180	In Compliance

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Cluster:		
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 37,854,829
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	86,745
84.389	ARRA. NCLB: Title I. Part A, Basic Grants Low Income and Neglected	15005	<u>4,754,868</u>
	Subtotal NCLB: Title I Cluster		<u>42,696,442</u>
	Special Education Cluster:		
84 027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	14,029,595
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	498,707
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	415,284
84 173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	3,850
84 391	ARRA. IDEA Part B, Sec 611, Basic Local Assistance	15003	10,099,120
84.391	ARRA: IDEA Part B, Sec 611, Preschool Local Entitlements	15002	393,347
84.392	ARRA: IDEA Part B, Sec 619, Preschool Grants	15000	<u>345,163</u>
	Subtotal Special Education Cluster		<u>25,785,066</u>
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	576,870
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	38,969
84 196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	113,511
84.387	NCLB: ARRA Title X McKinney-Vento Homeless Assistance	15007	61,246
84 002	Adult Education: Adult Basic Education & ESL	14508	377,173
84.002	Adult Education: Adult Secondary Education	13978	98,442
84.002A	Adult Education: English Literacy and Civics Education	14109	92,210
84.330	NCLB: Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	79,018
84.330	Advanced Placement Incentive Grant	-	736,877

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2010

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.357	NCLB: Title I, Part B, Reading First, Special Education Teacher Professional Development Pilot Program	14911	\$ 2,226,806
84.357	NCLB: Title I, Part B, Reading First Program, LEA subgrant	14328	947,559
84.215J	Full Service Community Schools Program	-	500,006
84.215L	Smaller Learning Communities	-	1,092,781
84.048	Vocational Programs, Voc. and Applied Technology State Leadership, Sec. 124 (Carl Perkins Act)	13924	978,286
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	13923	488,648
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	2,412,551
84.060	Indian Education	10011	125,198
84.181	IDEA Early Intervention Grants, Part C	23761	95,874
84.186	NCLB: Title IV, Part A, Safe and Drug-Free Schools and Communities, Formula Grants	14347	614,015
84.165	Magnet School Assistance	-	1,679,600
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,817,733
84.377	NCLB: Title I, School Improvement Grant	15127	7,844,658
84.350	Transition to Teaching	-	181,503
84.351D	Arts in Education	-	252,160
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	2,353,004
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CAMSP)	14512	532,820
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	8,292,457
84.394	ARRA: State Fiscal Stabilization Fund	25008	<u>31,750,232</u>
Total U.S. Department of Education			<u>134,841,715</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Quality Improvement Activities	13979	106,985
93.778	Department of Health Services: Medi-Cal Billing Option	10013	703,201
93.556	Promoting Safe and Stable Families	-	<u>147,323</u>
Total U.S. Department of Health and Human Services			<u>957,509</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

<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 Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CCFP Claims, Centers and Family Day Care Homes	13529	\$ 26,925
10.561	Nutrition Network Grant	-	10,309
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	30,733,638
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>297,472</u>
	Total U.S. Department of Agriculture		<u>31,068,344</u>
	Total Federal Programs		<u>\$ 166,867,568</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, 2010

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

See accompanying notes to
supplemental information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2010

	<u>(Budgeted)</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$631,586,597</u>	<u>\$639,408,386</u>	<u>\$691,311,255</u>	<u>\$698,926,461</u>
Expenditures	653,909,706	667,901,435	676,041,565	703,348,410
Other uses and transfers out	<u>11,463,522</u>	<u>3,937,233</u>	<u>5,888,660</u>	<u>3,452,063</u>
Total outgo	<u>665,373,228</u>	<u>671,838,668</u>	<u>681,930,225</u>	<u>706,800,473</u>
Change in fund balance	<u>\$ (33,786,631)</u>	<u>\$ (32,430,282)</u>	<u>\$ 9,381,030</u>	<u>\$ (7,874,012)</u>
Ending fund balance	<u>\$ 28,124,982</u>	<u>\$ 61,911,613</u>	<u>\$ 94,341,895</u>	<u>\$ 84,960,865</u>
Available reserves	<u>\$ 19,146,078</u>	<u>\$ 38,105,644</u>	<u>\$ 53,118,179</u>	<u>\$ 41,074,374</u>
Designated for economic uncertainties	<u>\$ 19,146,078</u>	<u>\$ 38,105,644</u>	<u>\$ 53,118,179</u>	<u>\$ 41,074,374</u>
Undesignated fund balance	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Available reserves as percentages of total outgo	<u>2.88%</u>	<u>5.67%</u>	<u>7.79%</u>	<u>5.81%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$395,658,953</u>	<u>\$421,465,019</u>	<u>\$368,726,069</u>	<u>\$351,427,278</u>
Average daily attendance at P-2, (excludes classes for adults and charter schools)	<u>66,975</u>	<u>67,769</u>	<u>68,050</u>	<u>68,169</u>

The General Fund fund balance has decreased by \$30,923,264 over the past three years. The fiscal year 2010-11 budget projects a decrease of \$33,786,631. 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, 2010, the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates an operating deficit in fiscal year 2011.

Total long-term liabilities have increased by \$70,037,741 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance, excluding classes for adults and charter schools, has decreased by 400 over the past two years. A decrease of 794 ADA is projected for the 2010-2011 fiscal year.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2010

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

See accompanying notes to
supplementary information

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$140,326,211
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	27,469,320
Less: Child Nutrition CCFP Claims not spent	10.558	(182,808)
Medi-Cal Billing Funds not spent	93.778	<u>(745,155)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$166,867,568</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2010-2011 fiscal year, as required by the State Controller's Office.

F · Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2010, 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

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2010. In addition, we have audited the compliance of Fresno Unified School District with Education Code Section 42238.20, specifically related to the Center for Advanced Research and Technology (CART). Compliance with the requirements of state laws and regulations is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes
CART - Education Code Section 42238.20	10	Yes

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

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

The 2009-2010 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2010. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2009-2010 Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards

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

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

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

In our opinion, Fresno Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2010. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Fresno Unified School District had not complied with the state laws and regulations.

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

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

Perry-Smith LLP

Sacramento, California
November 23, 2010

**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 the financial statements of Fresno Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

Compliance and Other Matters

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

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

**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**

(Continued)

Compliance and Other Matters (Continued)

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

Perry-Smith LLP

Sacramento, California
November 23, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Audit Committee
Fresno Unified School District
Fresno, California

Compliance

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

In our opinion, Fresno Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

Internal Control Over Compliance (Continued)

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Perry - Smith LLP

Sacramento, California
November 23, 2010

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs.

CFDA Number(s)	Name of Federal Program or Cluster
84 010, 84.389	NCLB: Title I Cluster
84 027, 84.173A, 84 173, 84 391, 84.392	Special Education Cluster
84.357	NCLB: Title I, Part B, Reading First, Special Education Teacher Professional Development Pilot Program
84.357	NCLB: Title I, Part B, Reading First Program - LEA Subgrant
84.377	NCLB: Title I, School Improvement Grant
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants
84 394	ARRA: State Fiscal Stabilization Fund
10.555	Child Nutrition: School Programs (NSL Sec. 11)

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS
(Continued)

STATE AWARDS

Internal control over state programs.

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses?

_____ Yes X None reported

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

Unqualified

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At various school sites tested, we noted the following:

- Cash receipts books are not consistently used during the initial collection of cash during fundraising events.
- Cash is not dual counted at the time the cash receipt is prepared
- Fundraising approval forms are not consistently being used to approve revenue-producing activities.
- Student store inventory is not counted or reviewed periodically
- Records of sales from the student store are not reconciled to receipts for cash received.
- School sites do not consistently prepare profit and loss statements for the student store and there is no review of the statements.
- Cash disbursements were not consistently approved by a student counsel member or administrative officer
- Reconciliations were not being performed or evidence indicating that reconciliations being performed in a timely manner could not be obtained.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced

Fiscal Impact

Not determinable

Recommendation

- Receipt books should be issued to all student groups to ensure that all funds raised during an event are properly accounted for
- Cash receipts should be reconciled to the deposits and approved by school site administrators
- Student council and school site administration should approve all fundraising events.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

1. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Recommendation (Continued)

- Student store inventory should be counted or reviewed regularly
- Profit and loss statements should be prepared monthly for the student store activity
- Cash disbursements should be approved by a member of the student council, the faculty advisor, and an administrative officer
- Reconciliations should be prepared on a monthly basis by the office manager and reviewed by the principal within a timely manner

Corrective Action Plan

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

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

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, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2009-1</p> <p>At various school sites tested, we noted the following.</p> <ul style="list-style-type: none"> • Cash receipts books are not consistently used during the initial collection collection of cash. • Cash is not dual counted at the time the cash receipt is prepared. • Fundraising approval forms are not consistently being used to approve revenue-producing activities. • Student store inventory is not counted or reviewed periodically • Records of sales from the student store are not reconciled to receipts for cash received. • School sites do not consistently prepare profit and loss statements for the student store. • Cash disbursements were not consistently charged to the correct sub-ledger <p>We recommend the following:</p> <ul style="list-style-type: none"> • Receipt books should be issued to all student groups to ensure that all funds raised during an even are properly accounted for • Cash receipts should be reconciled to the deposits and approved by school site administrators. • Student council and school site administration should approve all fall fundraising events. • Student store inventory should be counted or reviewed regularly • Profit and loss statements should be prepared monthly for the student store activity • Cash disbursements should be reviewed regularly to ensure that they are properly recorded in the correct student group account. 	<p>Not implemented.</p>	<p>See current year finding #1</p>

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2009-2</p> <ul style="list-style-type: none"> • At Edison High School, one student was improperly included for a total misstatement of 1 day • At Columbia Elementary School, three students were improperly included for a total misstatement of 3 days. • At Del Mar Elementary School, one student was improperly included for a total misstatement of 1 day • At Homan Elementary School, three students were improperly included for a total misstatement of 3 days. • At Muir Elementary School, two students were improperly included for a total misstatement of 2 days. • At Slater Elementary, two students were improperly included for a total misstatement of 2 days. 	<p>Implemented.</p>	

The District should revise the Second Period Report of Attendance and Annual Report of Attendance removing the disallowed ADA.