

FRESNO UNIFIED SCHOOL DISTRICT
COUNTY OF FRESNO
FRESNO, CALIFORNIA
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009
AND
INDEPENDENT AUDITOR'S REPORT

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

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FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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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, 2009, 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, 2009, 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 December 2, 2009 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

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
December 2, 2009





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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, 2009. 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 2008/09 and fiscal year 2007/08.

FINANCIAL HIGHLIGHTS

- The primary government has net assets in governmental activities totaling \$323 million at June 30, 2009.
- Business-type activities have a net asset surplus of \$17.3 million.
- The net assets for the District's business-type activity, Food Services, decreased by 19% due to increased costs due to the first full year of operation of the Nutrition Center and increasing meals served.
- The total net assets of the District decreased by \$4 million during fiscal year 2008/09. This is mainly due to increased costs for post retirement benefits, reduction in state revenues due to State re-appropriation of 2008/09 funds offset with of the continued construction of new capital assets as a result of Measure "K" bond funding.
- Fund balance of the District's governmental funds increased by \$883,491 resulting in an ending fund balance of \$172 million. The majority of the increase is due to receipt of American Reinvestment and Recovery Act (AARA) funds received at year end offset by reduction in state revenues due to State re-appropriation of 2008/09 funding.
- At the end of the 2008/09 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by \$5.6 million. This was again mainly due to the reduction in state revenues due to State re-appropriation of 2008/09 funding.
- Governmental Accounting Standard Board No. 45(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 \$67 million for 2008/09 is offset with the 2008/09 healthcare costs for our retirees and covered dependents of \$31.5 million. The change of \$36 million is included as an increased liability. This is the second year the District has recognized a liability for other Post-retirement healthcare benefits which totaled \$73.3million at June 30, 2009.
- The District's long-term obligations increased by \$17 million to \$369 million mainly as a result of the GASB 45 offset with continued payments to the general obligation bond debt.
- The District's financial position remained positive for 2008/09 as reflected by Standard and Poor's credit rating of A+.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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, 2009

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. This 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 *Fund Financial Statements* to demonstrate compliance with the adopted budget.

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

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

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

Notes to the Basic Financial Statements

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

Other Information

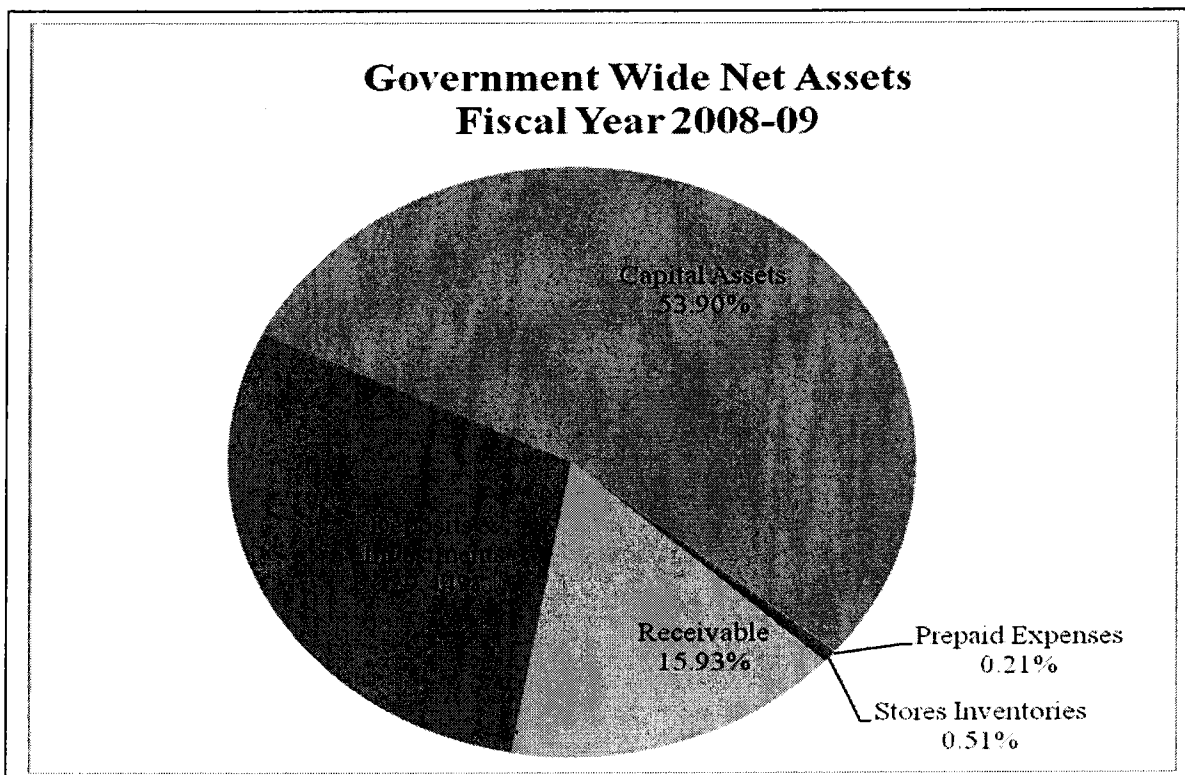
In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Change
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$377,285,053	\$371,840,816	\$14,814,251	\$18,479,187	\$392,099,304	\$390,320,003	0.46%
Capital assets	468,294,885	453,364,154	3,110,742	3,436,892	471,405,627	456,801,046	-3.20%
Total Assets	845,579,938	825,204,970	17,924,993	21,916,079	863,504,931	847,121,049	1.93%
Current liabilities	153,989,529	152,441,374	659,705	666,099	154,649,234	153,107,473	1.01%
Long-term liabilities	368,726,069	351,427,278			368,726,069	351,427,278	4.92%
Total Liabilities	522,715,598	503,868,652	659,705	666,099	523,375,303	504,534,751	3.73%
Net assets invested in capital assets, net of related debt	174,919,678	141,326,695	3,110,742	3,436,892	178,030,420	144,763,587	22.98%
Restricted	192,320,197	182,967,477	14,154,546	17,813,088	206,474,743	200,780,565	2.84%
Unrestricted	(44,375,535)	(2,957,854)			(44,375,535)	(2,957,854)	1400.26%
Total Net Assets	\$322,864,340	\$321,336,318	\$17,265,288	\$21,249,980	\$340,129,628	\$342,586,298	-0.72%



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 2008/09 fiscal year. Long-term liabilities such as general obligation bonds, Certificates of Participation (COPs), capitalized lease obligations, Quality Zone Academy Bonds (QZAB), post-retirement employees benefit and compensated absences will be liquidated from resources that will become available after the 2008/09 fiscal year.

The assets of the primary government activities exceed liabilities by \$323 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 \$468 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 73,278 public school students represents 55% of the District's total assets. The table and chart above summarizes the District's government-wide net assets.

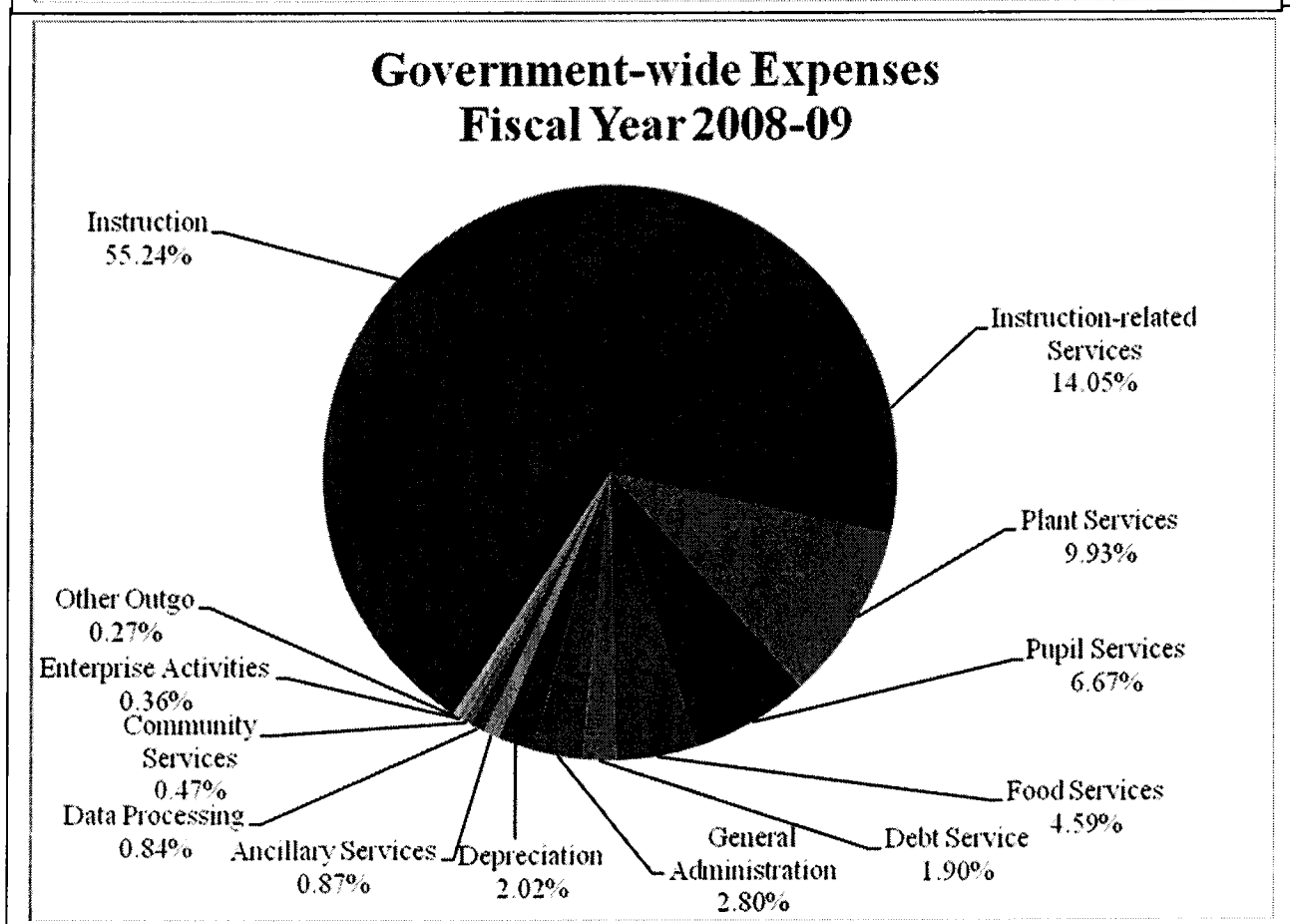
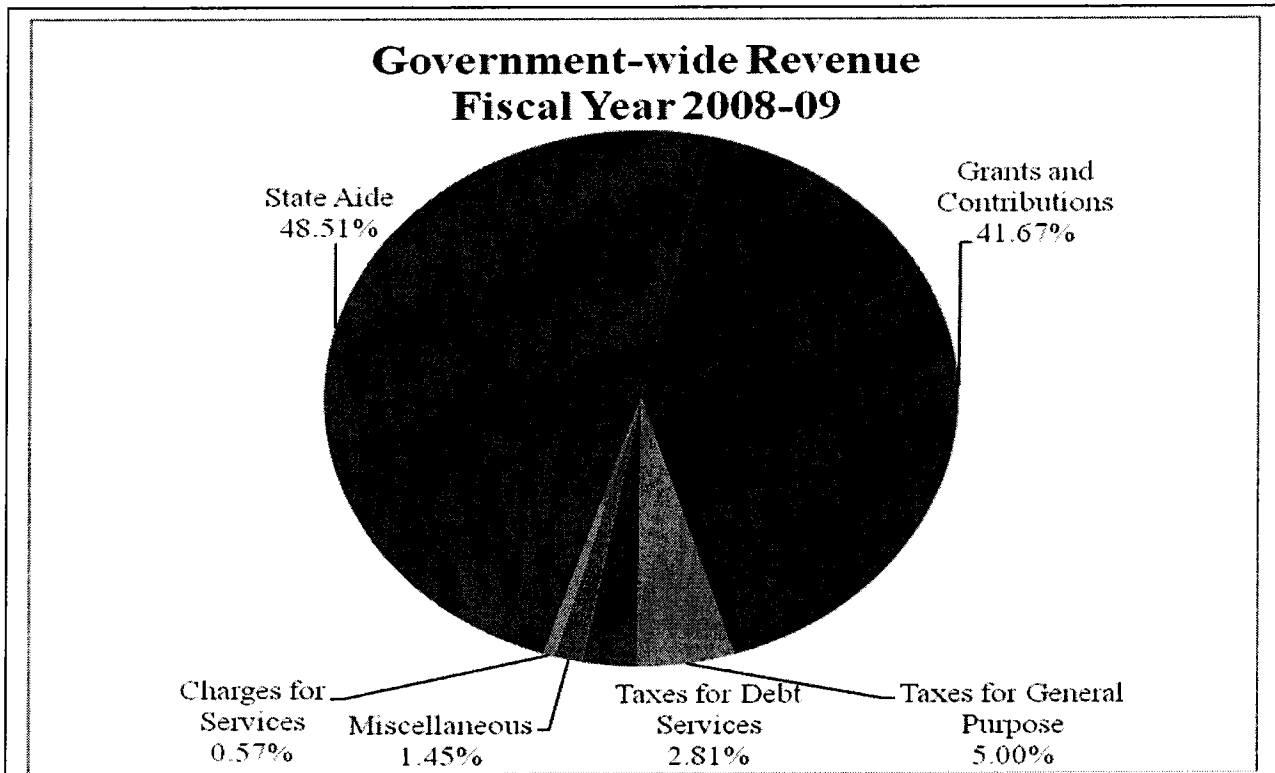
The District's Business-type activity decreased net assets by \$3.9 million. The Business-type activity accounts for 5% of the District's net assets. Key elements that highlight the activities in 2008/09 fiscal year are as follows:

- The Cafeteria Fund provided over 22,387 breakfasts and 54,508 lunches and 8,139 snacks a day during the fiscal year (A 1.7% increase in meals served from the prior year). Fresno Unified had an 82% student population qualify for free or reduced price meals. Meals are served at 101 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 (a decrease of 1 school from the prior year). This allows Food Services to provide meals to all enrolled students free of charge at these sites.
- The Nutrition Center opened in 2007/08. The Nutrition Center is the cornerstone of food service operations. Our previous facility only had the capability of packaging food items. The new facility has the capability to pack and prepare food to improve our entire food and nutrition program. In 2008/09 the Nutrition Center provided 4.5 million lunches, 1.8 million breakfasts along with 600,000 snacks to our school sites.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		Change
	2009	2008	2009	2008	2009	2008	
Program Revenues							
Charges for Services	\$3,514,585	\$4,128,626	\$993,872	\$1,301,429	\$4,508,457	\$5,430,055	-16.97%
Operating Grants &							
Contributions	262,965,173	254,388,621	31,258,760	31,867,276	294,223,933	286,255,897	2.78%
Capital Grants and							
Contributions	34,397,829	13,516,329	-	-	34,397,829	13,516,329	154.49%
General Revenues							
Taxes and Subventions	61,883,492	77,298,135	-	-	61,883,492	77,298,135	-19.94%
Federal and State Aid,							
Unrestricted	382,833,993	400,447,978	-	-	382,833,993	400,447,978	-4.40%
Interagency Revenues	47,330	3,157,877	-	-	47,330	3,157,877	-98.50%
Interest and Investment							
Earnings	5,706,056	8,753,931	-	-	5,706,056	8,753,931	-34.82%
Other General Revenues	5,349,401	10,131,369	-	-	5,349,401	10,131,369	-47.20%
Total Revenues	756,697,859	771,822,866	32,252,632	33,168,705	788,950,491	804,991,571	-1.99%
Expenses							
Instructional Related	549,568,597	562,244,240	-	-	549,568,597	562,244,240	-2.25%
Student Support Services	54,976,882	52,717,750	-	-	54,976,882	52,717,750	4.29%
General Administrative	27,184,002	24,675,177	-	-	27,184,002	24,675,177	10.17%
Maintenance and Operations	78,659,752	79,169,902	-	-	78,659,752	79,169,902	-0.64%
Depreciation	15,994,420	14,571,516	-	-	15,994,420	14,571,516	9.76%
Other	30,518,444	40,513,798	-	-	30,518,444	40,513,798	-24.67%
Enterprise Activities	-	-	36,237,324	36,443,927	36,237,324	36,443,927	-0.57%
Total Expenses	756,902,097	773,892,383	36,237,324	36,443,927	793,139,421	810,336,310	-2.12%
Change in Net Assets	(\$204,238)	(\$2,069,517)	(\$3,984,692)	(\$3,275,222)	(\$4,188,930)	(\$5,344,739)	-21.6%



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 2008/09.

- The Capital Project Fund's spent \$20.4 million on projects (Measure K - \$18.5 million, Developer Fees - \$1.2 million and Measure A - \$700,000).
- The Building Fund's major projects and activities include the following:
 - Modernization Projects included the following sites totaling \$14.5 million
 - Bullard High \$5.5 million
 - Yosemite \$2.1 million
 - Calwa \$2.1 million
 - Burroughs \$0.8 million
 - Dailey \$0.6 million
 - 22 other sites totaling \$3.4 million
 - Construction and Maintenance major projects and activities include library media centers, amphitheatres, irrigation, electrical and lighting, security surveillance and technology at site across the District \$4.7 million
 - Developer Fees supporting Southeast Elementary, Southeast Middle School and other portable buildings \$1.2 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 384 students during the fiscal year according to the October 2008 CBEDS data. The average daily funded attendance for fiscal year 2008/09 decreased 141 from the 2007/08 fiscal year. This decrease amounts to approximately \$800,000.

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 2008/09, Fresno Unified spent 60.40% towards classroom compensation.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, School Counseling, Special Education and Transportation; for these programs, in addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources.

The estimated unrestricted ending balance at year end for the 2008/09 budget was \$46.6 million. The actual ending balance was \$62.1 million. The difference of \$15.5 million is mainly due to the following:

- Revenue limit increases due to change in deficit factor after year end - \$19 million
- Local income received increased due to more reimbursable costs and higher interest income - \$1.0 million
- State flexibility transfers captured higher than anticipated by \$4.0 million
- Contributions to Special Education increased due to change in Federal Stimulus funds and less revenue than anticipated - \$7.5 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	2009	2008	\$ Change	% Change
Land	\$ 45,890,363	\$ 46,552,426	\$ (662,063)	-1.42%
Work-in-process	47,842,806	36,668,972	11,173,834	30.47%
Land improvements	37,341,603	34,238,467	3,103,136	9.06%
Buildings	538,569,778	521,753,827	16,815,951	3.22%
Equipment	27,401,140	26,906,847	494,293	1.84%
Capital Assets, cost	697,045,690	666,120,539	30,925,151	4.64%
Accumulated Depreciation	(228,750,805)	(212,756,385)	-15,994,420	7.52%
Governmental Activities Capital Assets, net	<u>\$ 468,294,885</u>	<u>\$ 453,364,154</u>	<u>\$ 14,930,731</u>	<u>3.29%</u>
Business-Type Activities, Capital Assets				
Equipment	6,679,829	6,622,098	57,731	0.87%
Accumulated Depreciation	(3,569,087)	(3,185,206)	(383,881)	12.05%
Business-Type Activities Capital Assets, net	<u>\$ 3,110,742</u>	<u>\$ 3,436,892</u>	<u>\$ (326,150)</u>	<u>12.1%</u>

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2009 was \$471 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Summary of Long-Term Liabilities

	2009	2008	\$ Change	% Change
General Obligation Bonds	\$ 255,653,742	\$ 264,898,742	\$ (9,245,000)	-3.49%
Accreted Interest	3,022,307	2,632,005	390,302	14.83%
Certificates of Participation	30,755,000	39,760,000	(9,005,000)	-22.65%
Capitalized Lease Obligations	232,195	274,484	(42,289)	-15.41%
QZABs	3,711,963	4,472,228	(760,265)	-17.00%
OPEB	73,296,882	37,569,446	35,727,436	95.10%
Compensated Absences	2,053,980	1,820,373	233,607	12.83%
Total Long-Term Liabilities	\$ 368,726,069	\$ 351,427,278	\$ 17,298,791	4.92%

At June 30, 2009, the District had total bonded debt outstanding of \$256 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases, Quality Zone Academy Bonds, and Certificates of Participation in the amount of \$34.7 million still outstanding at the end of the 2008/09 fiscal year.

- Total long-term debt for the District increased \$17.3 million during the 2008/09 fiscal year due mainly to the recognition of GASB 45 Retiree Health of \$35.7 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 \$106 million less than the maximum amount.

Economic Factors and Budgets and Rates for 2009/10

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. In the past year, the District has seen unprecedented decisions from Federal and State Offices. The Federal Government has provided a one-time economic stimulus package. The State funding changes included a shift of restricted grants to unrestricted, capture of prior year and current year balances, reduction in base revenue limit in excess of 17%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

On June 17, 2009, the Board approved an Adopted Budget for fiscal year 2009/10. The Adopted Budget included the 6.18% reserve.

- The major Federal assumptions are the Economic Stimulus Funds for State Stabilization, Title I and Special Ed include utilizing \$61.0 million over the next 2-3 years.
- The major State assumption are:
 - State Cost of Living Adjustment (COLA) of 5.02% and a deficit of 17% on the Revenue Limit
 - Several Categorical programs categorized as Tier III programs which removed the program requirements and made funds available for local priorities. The 2009/10 Adopted Budget prioritized approximately \$6.0 million toward the Unrestricted General Fund.
 - Adult Education funds are included in Tier III programs. The budget proposes to maintain the Adult School Program and therefore requires transfer of \$10.0 million from the Unrestricted General Fund.
 - Class Size Reduction provisions have been adjusted for greater flexibility in class size. This equates to a projected increase of \$2.4 million in revenue.
- The Local assumptions are as follows:
 - Projected ADA decline of 400. District will be funded on the prior year ADA due to declining enrollment
 - Support Community Day School Grades 7-12
 - Coregis Funds to support one-time expenditures in facilities and technology
 - Continued support of increased levels of instructional supply allocations
 - Ongoing Program Development and continued support of the Targeted Improvement actions
 - Benefit Rates
 - Maintain the Health rate in accordance with the current employee bargaining agreements.
 - Workers' Compensation decreased from the 2007/08 levels and the Liability Insurance rates has remained at the 2005/06 rate.
- Reduced local revenue due to lower interest rates.

The District provides post employment medical benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees at least 57½ years old. For employees hired on or after July 1, 2005, the District provides five years of post employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees at least 60 years old. GASB 43 and GASB 45 are new governmental accounting standards that direct how state and local governments will account for these benefits. The District's most recent actuarial study calculated the total gross liability for post employment benefits to be \$758 million as of September 2007.

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, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 243,254,987	\$ 14,239,272	\$ 257,494,259
Accounts receivable	126,629,773	1,642,779	128,272,552
Due from (to) other funds (Note 3)	1,975,234	(1,975,234)	
Prepaid expenses	1,835,630	10,000	1,845,630
Stores inventory	3,589,429	897,434	4,486,863
Capital assets, net of accumulated depreciation (Note 4)	<u>468,294,885</u>	<u>3,110,742</u>	<u>471,405,627</u>
Total assets	<u>845,579,938</u>	<u>17,924,993</u>	<u>863,504,931</u>
LIABILITIES			
Accounts payable and other current liabilities	86,864,070	659,705	87,523,775
Deferred revenue	19,536,545		19,536,545
Self-Insurance claims liability (Note 5)	47,588,914		47,588,914
Long-term liabilities (Note 6):			
Due within one year	22,308,438		22,308,438
Due after one year	<u>346,417,631</u>		<u>346,417,631</u>
Total liabilities	<u>522,715,598</u>	<u>659,705</u>	<u>523,375,303</u>
NET ASSETS			
Invested in capital assets, net of related debt	174,919,678	3,110,742	178,030,420
Restricted (Note 7)	192,320,197	14,154,546	206,474,743
Unrestricted	<u>(44,375,535)</u>		<u>(44,375,535)</u>
Total net assets	<u>\$ 322,864,340</u>	<u>\$ 17,265,288</u>	<u>\$ 340,129,628</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, 2009

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 438,121,560	\$ 1,336,201	\$ 148,455,616	\$ 34,397,829	\$ (253,931,914)	\$	\$ (253,931,914)
Instruction-related services:							
Supervision of instruction	57,760,547	408,973	54,413,050		(2,938,524)		(2,938,524)
Instructional library, media and technology	11,339,592	43,650	1,929,521		(9,366,421)		(9,366,421)
School site administration	42,346,898	133,313	6,206,240		(36,007,345)		(36,007,345)
Pupil services:							
Home-to-school transportation	15,017,621	903,216	6,339,480		(7,774,925)		(7,774,925)
Food services	2,034,981	419,750	419,750		(1,615,231)		(1,615,231)
All other pupil services	37,924,280	420,258	19,575,200		(17,928,822)		(17,928,822)
General administration:							
Data processing	6,658,007		471,822		(6,186,185)		(6,186,185)
All other general administration	20,525,995	111,120	10,773,505		(9,641,370)		(9,641,370)
Plant services	78,659,752	21,720	4,976,489		(73,661,543)		(73,661,543)
Ancillary services	6,904,279	7,570	2,578,121		(4,318,588)		(4,318,588)
Community services	3,582,404	44,524	2,551,286		(986,594)		(986,594)
Enterprise activities	2,849,913	7,579	273,244		(2,569,090)		(2,569,090)
Interest on long-term liabilities	15,077,804				(15,077,804)		(15,077,804)
Other outgo	2,104,044	76,461	4,001,849		1,974,266		1,974,266
Depreciation (unallocated) (Note 4)	15,994,420				(15,994,420)		(15,994,420)
Business-type activities:							
Food services	34,334,876	941,695	29,610,949			\$ (3,782,232)	(3,782,232)
All other general administration	1,658,457	45,486	1,436,476			(176,495)	(176,495)
Plant services	133,900	3,672	115,978			(14,250)	(14,250)
Enterprise services	110,091	3,019	95,357			(11,715)	(11,715)
Total governmental and business-type activities	\$ 793,139,421	\$ 4,508,457	\$ 294,223,933	\$ 34,397,829	\$ (456,024,510)	\$ (3,984,692)	\$ (460,009,202)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					39,425,578		39,425,578
Taxes levied for debt service					22,139,963		22,139,963
Taxes levied for other specific purposes					317,951		317,951
Federal and state aid not restricted to specific purposes					382,833,993		382,833,993
Interest and investment earnings					5,706,056		5,706,056
Interagency revenues					47,330		47,330
Miscellaneous					6,011,464		6,011,464
Special and extraordinary items					(662,063)		(662,063)
Total general revenues					455,820,272		455,820,272
Change in net assets					(204,238)		(4,188,930)
Net assets, July 1, 2008, as previously stated					321,336,318	21,249,980	342,586,298
Restatement (Note 12)					1,732,260		1,732,260
Net assets, July 1, 2008, restated					323,068,578	21,249,980	344,318,558
Net assets, June 30, 2009					\$ 322,864,340	\$ 17,265,288	\$ 340,129,628

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

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments:			
Cash in County Treasury	\$ 26,679,289	\$ 77,479,448	\$ 104,158,737
Cash in revolving fund	96,096		96,096
Cash on hand and in banks	48,119	3,270,378	3,318,497
Cash awaiting deposit		8,405	8,405
Cash with Fiscal Agent		9,502,124	9,502,124
Accounts receivable	123,368,933	2,582,199	125,951,132
Prepaid expenditures	195,373		195,373
Due from other funds	24,211,277	21,363,960	45,575,237
Stores inventory	<u>3,522,347</u>	<u>67,082</u>	<u>3,589,429</u>
Total assets	<u>\$ 178,121,434</u>	<u>\$ 114,273,596</u>	<u>\$ 292,395,030</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 52,214,925	\$ 11,617,232	\$ 63,832,157
Deferred revenue	19,536,545		19,536,545
Due to other funds	<u>12,028,069</u>	<u>25,260,031</u>	<u>37,288,100</u>
Total liabilities	83,779,539	36,877,263	120,656,802
Fund balances	<u>94,341,895</u>	<u>77,396,333</u>	<u>171,738,228</u>
Total liabilities and fund balances	<u>\$ 178,121,434</u>	<u>\$ 114,273,596</u>	<u>\$ 292,395,030</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, 2009

Total fund balances - Governmental Funds		\$ 171,738,228
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 \$697,045,690 and the accumulated depreciation is \$(228,750,805) (Note 4).		468,294,885
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, 2009 consisted of (Note 6):		
General Obligation Bonds	\$ (255,653,742)	
Accreted interest	(3,022,307)	
Certificates of Participation	(30,755,000)	
Capitalized lease obligations	(232,195)	
Qualified Zone Academy Bonds	(3,711,963)	
Other post employment benefits	(73,296,882)	
Compensated absences	<u>(2,053,980)</u>	
		(368,726,069)
Internal service funds are included in the government-wide financial statements.		65,958,811
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.		516,677
Unmatured interest on long-term liabilities is recognized in the period incurred.		<u>(14,918,192)</u>
Total net assets - governmental activities		<u>\$ 322,864,340</u>

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, 2009

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Revenue limit sources:			
State apportionment	\$ 355,847,081		\$ 355,847,081
Local sources	<u>37,882,923</u>		<u>37,882,923</u>
Total revenue limit	<u>393,730,004</u>		<u>393,730,004</u>
Federal sources	116,362,062	\$ 1,085,695	117,447,757
Other state sources	152,202,450	51,064,206	203,266,656
Other local sources	<u>16,520,807</u>	<u>26,676,899</u>	<u>43,197,706</u>
Total revenues	<u>678,815,323</u>	<u>78,826,800</u>	<u>757,642,123</u>
Expenditures:			
Certificated salaries	331,237,949	10,381,522	341,619,471
Classified salaries	96,106,757	3,964,250	100,071,007
Employee benefits	146,231,350	3,999,614	150,230,964
Books and supplies	36,968,645	2,495,741	39,464,386
Contract services and operating expenditures	55,430,330	11,830,501	67,260,831
Capital outlay	7,277,171	15,914,633	23,191,804
Other outgo	2,029,098		2,029,098
Debt service:			
Principal retirement	760,265	18,292,289	19,052,554
Interest		<u>15,496,974</u>	<u>15,496,974</u>
Total expenditures	<u>676,041,565</u>	<u>82,375,524</u>	<u>758,417,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,773,758</u>	<u>(3,548,724)</u>	<u>(774,966)</u>
Other financing sources (uses):			
Operating transfers in	12,495,932	67,810,489	80,306,421
Operating transfers out	<u>(5,888,660)</u>	<u>(72,759,304)</u>	<u>(78,647,964)</u>
Total other financing sources (uses)	<u>6,607,272</u>	<u>(4,948,815)</u>	<u>1,658,457</u>
Net change in fund balances	<u>9,381,030</u>	<u>(8,497,539)</u>	<u>883,491</u>
Fund balances, July 1, 2008, as previously stated	84,960,865	84,161,612	169,122,477
Restatement		<u>1,732,260</u>	<u>1,732,260</u>
Fund balances, July 1, 2008, as restated	<u>84,960,865</u>	<u>85,893,872</u>	<u>170,854,737</u>
Fund balances, June 30, 2009	<u>\$ 94,341,895</u>	<u>\$ 77,396,333</u>	<u>\$ 171,738,228</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, 2009

Net change in fund balances - Total Governmental Funds	\$	883,491
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).	\$	30,925,151
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(15,994,420)
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).		19,052,554
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).		(390,302)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.		556,022
Activities of the internal service fund are reported with governmental activities.		753,013
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.		(28,704)
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).		(35,727,436)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(233,607)</u>	<u>(1,087,729)</u>
Change in net assets of governmental activities	\$	<u><u>(204,238)</u></u>

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 359,211,978	\$ 355,847,081	\$ 355,847,081	
Local sources	<u>37,484,829</u>	<u>37,860,478</u>	<u>37,882,923</u>	\$ 22,445
Total revenue limit	<u>396,696,807</u>	<u>393,707,559</u>	<u>393,730,004</u>	<u>22,445</u>
Federal sources	89,410,166	101,891,229	116,362,062	14,470,833
Other state sources	160,470,658	162,944,677	152,202,450	(10,742,227)
Other local sources	<u>17,193,849</u>	<u>17,190,078</u>	<u>16,520,807</u>	<u>(669,271)</u>
Total revenues	<u>663,771,480</u>	<u>675,733,543</u>	<u>678,815,323</u>	<u>3,081,780</u>
Expenditures:				
Certificated salaries	329,765,288	336,733,777	331,237,949	5,495,828
Classified salaries	95,166,832	96,125,770	96,106,757	19,013
Employee benefits	155,631,793	148,708,305	146,231,350	2,476,955
Books and supplies	64,033,860	56,040,078	36,968,645	19,071,433
Contract services and operating expenditures	50,167,186	60,175,318	55,430,330	4,744,988
Capital outlay	6,367,582	8,540,383	7,277,171	1,263,212
Other outgo	2,602,024	2,634,002	2,029,098	604,904
Debt service:				
Principal retirement	<u>503,078</u>	<u>503,078</u>	<u>760,265</u>	<u>(257,187)</u>
Total expenditures	<u>704,237,643</u>	<u>709,460,711</u>	<u>676,041,565</u>	<u>33,419,146</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(40,466,163)</u>	<u>(33,727,168)</u>	<u>2,773,758</u>	<u>36,500,926</u>
Other financing sources (uses):				
Operating transfers in	5,944,139	19,090,892	12,495,932	(6,594,960)
Operating transfers out	<u>(3,356,409)</u>	<u>(8,885,710)</u>	<u>(5,888,660)</u>	<u>2,997,050</u>
Total other financing sources (uses)	<u>2,587,730</u>	<u>10,205,182</u>	<u>6,607,272</u>	<u>(3,597,910)</u>
Net change in fund balance	(37,878,433)	(23,521,986)	9,381,030	32,903,016
Fund balance, July 1, 2008	<u>84,960,865</u>	<u>84,960,865</u>	<u>84,960,865</u>	
Fund balance, June 30, 2009	<u>\$ 47,082,432</u>	<u>\$ 61,438,879</u>	<u>\$ 94,341,895</u>	<u>\$ 32,903,016</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, 2009

ASSETS

Cash and investments:	
Cash in County Treasury	\$124,171,128
Cash on hand and in banks	2,000,000
Accounts receivable	678,641
Due from other funds	229,514
Prepaid expenditures	<u>1,123,580</u>
 Total assets	 <u>128,202,863</u>

LIABILITIES

Current liabilities:	
Accounts payable	8,113,721
Due to other funds	<u>6,541,417</u>
 Total current liabilities	 14,655,138
 Self insurance claims liability	 <u>47,588,914</u>
 Total liabilities	 <u>62,244,052</u>

NET ASSETS

Restricted	<u>\$ 65,958,811</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, 2009

Operating revenues:	
Self-insurance premiums	<u>\$120,375,704</u>
Operating expenses:	
Certificated salaries	102,990
Classified salaries	1,010,314
Employee benefits	498,727
Books and supplies	20,202
Contract services	<u>121,319,816</u>
Total operating expenses	<u>122,952,049</u>
Operating loss	(2,576,345)
Non-operating revenue:	
Interest income	<u>3,329,358</u>
Change in net assets	753,013
Total net assets, July 1, 2008	<u>65,205,798</u>
Total net assets, June 30, 2009	<u>\$ 65,958,811</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, 2009

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 109,873,500
Cash received from user charges	10,698,952
Cash paid for employee benefits	(118,324,332)
Cash paid for salaries	(1,612,031)
Cash paid for other expenses	<u>(20,202)</u>
Net cash provided by operating activities	615,887
Cash flows provided by investing activities:	
Interest income received	<u>3,696,460</u>
Increase in cash and cash equivalents	4,312,347
Cash and cash equivalents, July 1, 2008	<u>121,858,781</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ 126,171,128</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (2,576,345)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in:	
Amount due from other funds	196,748
Prepaid expenditures	(438,086)
Increase (decrease) in:	
Accounts payable	(520,937)
Amount due to other funds	6,276,496
Unpaid claims and claim adjustment expenses	<u>(2,321,989)</u>
Total adjustments	<u>3,192,232</u>
Net cash provided by operating activities	<u><u>\$ 615,887</u></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, 2009

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 4,696,779
Cash on hand and in banks	9,542,493
Accounts receivable	1,642,779
Stores inventory	897,434
Prepaid expenditures	10,000
Capital assets	6,679,829
Less accumulated depreciation	<u>(3,569,087)</u>
Total assets	<u>19,900,227</u>

LIABILITIES

Current liabilities:	
Accounts payable	659,705
Due to other funds	<u>1,975,234</u>
Total liabilities	<u>2,634,939</u>

NET ASSETS

Invested in capital assets	3,110,742
Restricted	<u>14,154,546</u>
Total net assets	<u><u>\$ 17,265,288</u></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, 2009

Operating revenues:	
Federal revenues	\$ 27,250,742
Other state revenues	2,421,641
Other local revenues	<u>1,777,117</u>
Total operating revenues	<u>31,449,500</u>
Operating expenses:	
Classified salaries	9,809,917
Employee benefits	6,269,782
Books and supplies	14,763,472
Contract services	3,351,815
Depreciation	<u>383,881</u>
Total operating expenses	<u>34,578,867</u>
Operating loss	<u>(3,129,367)</u>
Non-operating revenue (expense):	
Interest income	803,132
Interfund transfer (Note 3)	<u>(1,658,457)</u>
Total non-operating revenue (expense)	<u>(855,325)</u>
Change in net assets	(3,984,692)
Total net assets, July 1, 2008	<u>21,249,980</u>
Total net assets, June 30, 2009	<u>\$ 17,265,288</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, 2009

Cash flows from operating activities:	
Cash received from food sales	\$ 1,777,117
Cash received from Child Nutrition Programs	35,706,902
Cash paid for operating expenses	<u>(37,490,350)</u>
Net cash used in operating activities	<u>(6,331)</u>
Cash flows provided by investing activities:	
Interest income received	<u>827,600</u>
Cash flows used in financing activities:	
Cash paid for capital assets	<u>(57,731)</u>
Increase in cash and cash equivalents	763,538
Cash and cash equivalents, July 1, 2008	<u>13,475,734</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ 14,239,272</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (3,129,367)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	383,881
Decrease in:	
Accounts receivable	6,034,519
Amount due from other funds	355,508
Inventory	282,392
Accounts payable	(6,394)
Amount due to other funds	<u>(3,926,870)</u>
Total adjustments	<u>3,123,036</u>
Net cash used in operating activities	<u><u>\$ (6,331)</u></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, 2009

ASSETS

Cash on hand and in banks (Note 2)	\$ 2,041,712
Stores inventory	<u>80,878</u>
Total assets	<u>\$ 2,122,590</u>

LIABILITIES

Due to student groups	<u>\$ 2,122,590</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 Statement 14, "The Financial Reporting Entity", 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, 2009, 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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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 change in the fund financial statements to 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 and the Statement of Revenues, Expenditures and changes in 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 GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 in the basic financial statements.

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 \$14,763,472. 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 \$2,053,980 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, 2009 consisted of the following:

	Governmental Activities				
	Governmental Funds	Proprietary Fund	Total	Business-Type Activities	Fiduciary Activities
Pooled Funds:					
Cash in County Treasury	\$ 104,158,737	\$ 124,171,128	\$ 228,329,865	\$ 4,696,779	
Cash awaiting deposit	8,405		8,405		
Total pooled funds	104,167,142	124,171,128	228,338,270	4,696,779	
Deposits:					
Cash on hand and in banks	3,318,497	2,000,000	5,318,497	9,542,493	\$ 2,041,712
Cash in revolving fund	96,096		96,096		
Total deposits	3,414,593	2,000,000	5,414,593	9,542,493	2,041,712
Cash with Fiscal Agent	9,502,124		9,502,124		
Total cash and cash equivalents	\$ 117,083,859	\$ 126,171,128	\$ 243,254,987	\$ 14,239,272	\$ 2,041,712

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, 2009, 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, 2009, the carrying amount of the District's accounts was \$16,998,798, and the bank balances were \$15,818,229. Of the bank balances, \$1,501,491 was covered by the FDIC or NCUA insurance and \$14,316,738 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, 2009, 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 Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance 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, 2009 were as follows:

Fund	Interfund Receivables	Interfund Payables
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 24,211,277	\$ 12,028,069
Non-Major Funds:		
Adult Education	15,508	3,208,050
Child Development	352,095	776,754
Deferred Maintenance	1,047,336	
Building		10,932,239
Capital Facilities	32	62,957
County School Facilities		8,380,031
Special Reserve for Capital Outlay	19,946,309	
Tax Override		1,900,000
COP Debt Service	2,680	
Proprietary Fund:		
Self-Insurance	229,514	6,541,417
<u>Business-Type Activities</u>		
Cafeteria Fund		1,975,234
Totals	\$ 45,804,751	\$ 45,804,751

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 2008-09 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute the local share by project.	\$ 28,610,165
Transfer from the County School Facilities Fund to the Special Reserve for Capital Outlay Fund to reimburse for forward funded projects by local sources.	18,748,098
Transfer from the Tax Override Fund to the COP Debt Service Fund for COP payments due.	10,377,689
Transfer from the Adult Education Fund to the General Fund for flexibility provided by the State.	5,000,000
Transfer from the Building Fund to the General Fund to contribute to restricted routine maintenance.	3,356,409
Transfer from the General Fund to the Deferred Maintenance Fund for the required State match.	3,356,409
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation received in the General Fund.	2,531,225
Transfer from the Tax Override Fund to the Special Reserve for Capital Outlay Fund to transfer local bond funds previously transferred to Tax Override Fund that will no longer be needed.	1,900,000
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,658,457
Transfer from the Deferred Maintenance Fund to the General Fund for flexibility provided by the State.	1,448,893
Transfer from the Special Reserve for Capital Outlay Fund to the County School Facilities Fund to contribute the local share by project.	1,176,215
Transfer from the Building Fund to the Adult Education Fund to return operating funds transferred in prior years from the operating budget.	1,109,662
Transfer from the Adult Education Fund to the General Fund for indirect costs.	653,579
Transfer from the Child Development Fund to the General Fund for indirect costs.	342,954
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	35,640
Transfer from the General Fund to the Deferred Maintenance Fund for Williams Reimbursement.	664
Transfer from the General Fund to Capital Facilities Fund for Williams Reimbursement.	228
Transfer from the General Fund to the County Schools Facilities Fund for Williams Reimbursement.	134
	<u>\$ 80,306,421</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, 2009 is shown below:

	<u>Balance July 1, 2008</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Balance June 30, 2009</u>
<u>Governmental Activities</u>				
Land	\$ 46,552,426		\$ (662,063)	\$ 45,890,363
Work-in-process	36,668,972	\$ 31,092,921	(19,919,087)	47,842,806
Land improvements	34,238,467	3,103,136		37,341,603
Buildings	521,753,827	16,815,951		538,569,778
Equipment	<u>26,906,847</u>	<u>494,293</u>		<u>27,401,140</u>
Totals, at cost	<u>666,120,539</u>	<u>51,506,301</u>	<u>(20,581,150)</u>	<u>697,045,690</u>
Less accumulated depreciation:				
Land improvements	(16,319,905)	(1,356,666)		(17,676,571)
Buildings	(179,813,246)	(12,234,664)		(192,047,910)
Equipment	<u>(16,623,234)</u>	<u>(2,403,090)</u>		<u>(19,026,324)</u>
Total accumulated depreciation	<u>(212,756,385)</u>	<u>(15,994,420)</u>		<u>(228,750,805)</u>
Governmental activities capital assets, net	<u>\$ 453,364,154</u>	<u>\$ 35,511,881</u>	<u>\$ (20,581,150)</u>	<u>\$ 468,294,885</u>
<u>Business-Type Activities</u>				
Equipment	\$ 6,622,098	\$ 57,731		\$ 6,679,829
Less accumulated depreciation	<u>(3,185,206)</u>	<u>(383,881)</u>		<u>(3,569,087)</u>
Business-Type activities capital assets, net	<u>\$ 3,436,892</u>	<u>\$ (326,150)</u>	<u>\$ -</u>	<u>\$ 3,110,742</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2009 as follows:

Governmental activities:	
Unallocated	<u>\$ (15,994,420)</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ (383,881)</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, 2009, 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 \$1,074,867 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 \$14,090,295 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, 2009 and 2008 were as follows:

	<u>Property and Liability</u>	<u>Workers' Compen- sation</u>	<u>Health</u>	<u>Total</u>
Claims liability at July 1, 2007	\$ 894,064	\$ 37,550,243	\$ 8,575,473	\$ 47,019,780
Incurred claims	1,647,842	2,966,800	107,519,212	112,133,854
Paid claims	<u>(961,702)</u>	<u>(4,726,938)</u>	<u>(103,554,091)</u>	<u>(109,242,731)</u>
Claims liability at June 30, 2008	<u>1,580,204</u>	<u>35,790,105</u>	<u>12,540,594</u>	<u>49,910,903</u>
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>

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

6. LONG-TERM LIABILITIES

General Obligation Bonds

<u>Issue</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2008</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2009</u>
1998 Series A	4.8 - 6.15%	1998	2021	\$ 33,235,000	\$ 23,375,000		\$ 1,265,000	\$ 22,110,000
1998 Refunding Series B								
Current Interest	5.5 - 6.95%	1998	2017	26,998,742	14,945,000		1,295,000	13,650,000
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	30,895,000		1,410,000	29,485,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	59,150,000		1,050,000	58,100,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	50,785,000		1,760,000	49,025,000
2004 Series A	2.0 - 4.25%	2004	2021	10,645,000	8,650,000		530,000	8,120,000
2001 Series D	4.125 - 5.0%	2005	2031	31,000,000	30,265,000		775,000	29,490,000
2001 Series E	4.0 - 5.0%	2007	2031	35,000,000	34,180,000		855,000	33,325,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	9,750,000		305,000	9,445,000
				<u>\$ 310,198,742</u>	<u>\$ 264,898,742</u>	<u>\$ -</u>	<u>\$ 9,245,000</u>	<u>\$ 255,653,742</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,350,000	\$ 1,379,643	\$ 2,729,643
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
2015-2019	10,815,000	3,096,208	13,911,208
2020-2021	<u>3,520,000</u>	<u>193,389</u>	<u>3,713,389</u>
	<u>\$ 22,110,000</u>	<u>\$ 9,281,491</u>	<u>\$ 31,391,491</u>

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,390,000	\$ 870,897	\$ 2,260,897
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
2015-2017	<u>5,610,000</u>	<u>571,400</u>	<u>6,181,400</u>
	<u>\$ 13,650,000</u>	<u>\$ 3,919,224</u>	<u>\$ 17,569,224</u>

The annual payments required to amortize the 1998 Refunding, Series B, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2019	\$ 1,436,384	\$ 3,918,616	\$ 5,355,000
2020-2022	<u>1,467,358</u>	<u>5,102,642</u>	<u>6,570,000</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,500,000	\$ 1,714,133	\$ 3,214,133
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
2015-2019	11,580,000	4,856,210	16,436,210
2020-2023	<u>9,545,000</u>	<u>1,154,777</u>	<u>10,699,777</u>
	<u>\$ 29,485,000</u>	<u>\$ 13,674,020</u>	<u>\$ 43,159,020</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,120,000	\$ 3,364,475	\$ 4,484,475
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
2015-2019	16,770,000	12,478,815	29,248,815
2020-2024	23,005,000	6,733,800	29,738,800
2025-2027	<u>8,270,000</u>	<u>642,000</u>	<u>8,912,000</u>
	<u>\$ 58,100,000</u>	<u>\$ 35,941,629</u>	<u>\$ 94,041,629</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,830,000	\$ 2,363,298	\$ 4,193,298
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
2015-2019	12,740,000	8,648,644	21,388,644
2020-2024	16,365,000	5,137,755	21,502,755
2025-2028	<u>9,885,000</u>	<u>922,948</u>	<u>10,807,948</u>
	<u>\$ 49,025,000</u>	<u>\$ 25,771,724</u>	<u>\$ 74,796,724</u>

The annual payments required to amortize the 2004, Series A, Current Interest General Obligation Bonds outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 545,000	\$ 303,737	\$ 848,737
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
2015-2019	3,575,000	713,075	4,288,075
2020-2021	<u>1,620,000</u>	<u>68,559</u>	<u>1,688,559</u>
	<u>\$ 8,120,000</u>	<u>\$ 2,115,894</u>	<u>\$ 10,235,894</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 810,000	\$ 1,392,506	\$ 2,202,506
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
2015-2019	5,530,000	5,289,530	10,819,530
2020-2024	6,910,000	3,747,637	10,657,637
2025-2029	8,620,000	1,931,359	10,551,359
2030-2031	<u>4,000,000</u>	<u>176,750</u>	<u>4,176,750</u>
	<u>\$ 29,490,000</u>	<u>\$ 17,674,806</u>	<u>\$ 47,164,806</u>

The annual payments required to amortize the 2007, Series E, General Obligation Bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 895,000	\$ 1,511,088	\$ 2,406,088
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
2015-2019	6,195,000	6,061,189	12,256,189
2020-2024	7,795,000	4,572,691	12,367,691
2025-2029	9,810,000	2,420,000	12,230,000
2030-2031	<u>4,595,000</u>	<u>232,375</u>	<u>4,827,375</u>
	<u>\$ 33,325,000</u>	<u>\$ 20,456,593</u>	<u>\$ 53,781,593</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 325,000	\$ 407,238	\$ 732,238
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
2015-2019	2,225,000	1,379,100	3,604,100
2020-2024	2,755,000	878,869	3,633,869
2025-2028	<u>2,675,000</u>	<u>237,411</u>	<u>2,912,411</u>
	<u>\$ 9,445,000</u>	<u>\$ 4,319,556</u>	<u>\$ 13,764,556</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, 2008</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2009</u>
1997 COPs	4.00 - 5.00%	1998	\$ 20,840,000	\$ 7,440,000		\$ 1,720,000	\$ 5,720,000
1998A Refunding COPs	4.00 - 4.75%	1998	51,930,000	21,770,000		5,185,000	16,585,000
2001 Refunding COPs	4.00 - 4.40%	2001	10,655,000	5,560,000		945,000	4,635,000
2003 Refunding COPs	2.00 - 3.50%	2003	10,380,000	4,970,000		1,155,000	3,815,000
			<u>\$ 93,805,000</u>	<u>\$ 39,760,000</u>	<u>\$ -</u>	<u>\$ 9,005,000</u>	<u>\$ 30,755,000</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,815,000	\$ 238,810	\$ 2,053,810
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>\$ 5,720,000</u>	<u>\$ 436,435</u>	<u>\$ 6,156,435</u>

The annual payments required to amortize the 1998, Series A, Refunding Certificates of Participation outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,575,000	\$ 766,381	\$ 6,341,381
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>\$ 16,585,000</u>	<u>\$ 1,521,049</u>	<u>\$ 18,106,049</u>

The annual payments required to amortize the 2001, Refunding Certificates of Participation outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,000,000	\$ 200,375	\$ 1,200,375
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>\$ 4,635,000</u>	<u>\$ 449,830</u>	<u>\$ 5,084,830</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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,180,000	\$ 124,587	\$ 1,304,587
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>\$ 3,815,000</u>	<u>\$ 263,474</u>	<u>\$ 4,078,474</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>
2010	\$ 117,289
2011	69,953
2012	<u>44,953</u>
Net minimum lease payments	<u>\$ 232,195</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>
2010	\$ 802,169
2011	846,510
2012	893,374
2013	942,907
2014	<u>227,003</u>
Total payments remaining	<u>\$ 3,711,963</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2009 is shown below:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 264,898,742		\$ 9,245,000	\$ 255,653,742	\$ 9,765,000
Accreted interest	2,632,005	\$ 390,302		3,022,307	
Certificates of Participation	39,760,000		9,005,000	30,755,000	9,570,000
Capitalized lease obligations	274,484		42,289	232,195	117,289
QZABs	4,472,228		760,265	3,711,963	802,169
Other postemployment benefits (Note 9)	37,569,446	35,727,436		73,296,882	
Compensated absences	<u>1,820,373</u>	<u>233,607</u>		<u>2,053,980</u>	<u>2,053,980</u>
Totals	<u>\$ 351,427,278</u>	<u>\$ 36,351,345</u>	<u>\$ 19,052,554</u>	<u>\$ 368,726,069</u>	<u>\$ 22,308,438</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 Child Development Fund. Payments on the compensated absences and post employment 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, 2009:

	<u>Governmental Activities</u>
Revolving cash fund	\$ 96,096
Prepaid expenditures	1,835,630
Stores inventory	3,589,429
Unspent categorical program revenues	43,510,980
Special revenues	1,114,639
Capital projects	50,080,298
Debt service	26,134,314
Self-insurance	<u>65,958,811</u>
	<u>\$ 192,320,197</u>
	<u>Business-Type Activities</u>
Stores inventory	\$ 897,434
Prepaid expenditures	10,000
Food service operations	<u>13,247,112</u>
	<u>\$ 14,154,546</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 2008-2009 was 9.428% 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, 2007, 2008 and 2009 were \$7,808,406, \$8,516,754 and \$8,770,926, 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 2008-2009 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, 2007, 2008 and 2009 were \$25,616,463, \$28,884,136 and \$27,622,367, 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 Statement 45. 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	\$ 66,913,974
Interest on net OPEB obligation	2,390,853
Adjustment to annual required contribution	<u>(2,070,400)</u>
Annual OPEB cost (expense)	67,234,427
Contributions made	<u>(31,506,991)</u>
Increase in net OPEB obligation	35,727,436
Net OPEB obligation - beginning of year	<u>37,569,446</u>
Net OPEB obligation - end of year	<u><u>\$ 73,296,882</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, 2009 was as follows (dollar amounts in thousands):

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

As of July 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$758 million, and the actuarial value of assets was \$29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$729 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$437 million, and the ratio of the UAAL to the covered payroll was 173 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, 2007 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 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 4 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, 2009, was 28 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, 2008 (the most recent information available):

Total assets	\$ 33,569,528
Total liabilities	\$ 32,707,656
Net assets	\$ 861,872
Total revenues	\$ 1,446,260
Total expenses	\$ 1,484,270
Change in net assets	\$ (38,010)

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. RESTATEMENT

It was determined that revenue limit apportionment in the Adult Education Fund was not properly recorded in the year ended June 30, 2007 resulting in an understatement of fund balance in the Adult Education Fund and net assets in the Government-wide Statement of Net Assets. The beginning fund balance and net assets have been increased by \$1,732,260 to reflect the prior year revenue limit apportionment.

13. SUBSEQUENT EVENTS

Purchase of Real Property

In October 2009, the District purchased real property and an existing facility for approximately \$1.2 million. The site is planned for use as a community day school for 7-12 grade students.

State Budget

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Government Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS

June 30, 2009

	Adult Education Fund	Child Development 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
ASSETS												
Cash in County Treasury	\$ 1,168,421	\$ 392,537	\$ 1,193,226	\$ 14,125,328	\$ 12,322,988	\$ 6,802,089	\$ 20,651,391	\$ 2,383,833	\$ 13,475,610	\$ 4,958,175	\$ 5,850	\$ 77,479,448
Cash on hand and in banks	5,000				2,000,000			1,265,378				3,270,378
Cash awaiting deposit					8,405							8,405
Cash with Fiscal Agent	2,070,288	66,964	10,814	80,612	81,053	38,797	126,386	17,410	63,693	19,705	9,502,124	9,502,124
Accounts receivable	15,508	352,095	1,047,336		32			19,946,309			6,477	2,582,199
Due from other funds	67,082										2,680	21,363,960
Inventory												87,082
Total assets	\$ 3,326,299	\$ 811,596	\$ 2,251,376	\$ 14,205,940	\$ 14,412,478	\$ 6,840,886	\$ 20,777,777	\$ 23,612,930	\$ 13,539,303	\$ 4,977,880	\$ 9,517,131	\$ 114,273,596
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 506,947	\$ 415,368	\$ 300,431	\$ 51,920	\$ 278,567	\$ 6,840,886	\$ 1,957,746	\$ 1,265,367				\$ 11,617,232
Due to other funds	3,208,050	776,754		10,932,239	62,957		8,380,031			\$ 1,900,000		25,260,031
Total liabilities	3,714,997	1,192,122	300,431	10,984,159	341,524	6,840,886	10,337,777	1,265,367		1,900,000		36,877,263
Fund balances	(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
Total liabilities and fund balances	\$ 3,326,299	\$ 811,596	\$ 2,251,376	\$ 14,205,940	\$ 14,412,478	\$ 6,840,886	\$ 20,777,777	\$ 23,612,930	\$ 13,539,303	\$ 4,977,880	\$ 9,517,131	\$ 114,273,596

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, 2009

	Adult Education Fund	Child Development 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	\$ 930,273	\$ 155,422					\$ 34,397,829	\$ 634,473	\$ 325,633	\$ 147,155	\$	\$ 1,085,695
Other state sources	9,409,068	6,784,521	\$ 52,405	\$ 425,047	\$ 1,608,613		67,111	\$	13,129,168	9,149,499	\$ 328,409	51,064,206
Other local sources	1,208,766	75,408										26,676,899
Total revenues	11,546,107	7,015,351	52,405	425,047	1,608,613		34,464,940	634,473	13,454,801	9,296,654	328,409	78,826,800
Expenditures:												
Certificated salaries	6,993,236	3,388,286										10,381,522
Classified salaries	1,879,071	1,688,669			2,619		212,759	181,132				3,964,250
Employee benefits	2,408,378	1,422,839			1,029		83,221	84,147				3,989,614
Books and supplies	1,052,851	289,263	339,727		8,939		804,961					2,495,741
Contract services and operating expenditures	2,586,774	264,640	5,833,666	112,389	410,457		2,506,443	116,132				11,830,501
Capital outlay					775,064		15,139,569					15,914,633
Debt service:		42,289							9,245,000		9,005,000	18,292,289
Principal retirement									13,786,581		1,710,393	15,496,974
Interest												
Total expenditures	14,920,310	7,095,986	6,173,393	112,389	1,198,108		18,746,953	381,411	23,031,581		10,715,393	82,375,524
(Deficiency) excess of revenues (under) over expenditures	(3,374,203)	(80,635)	(6,120,988)	312,658	410,505		15,717,987	253,062	(9,576,780)	9,296,654	(10,386,984)	(3,548,724)
Other financing sources (uses):												
Operating transfers in	1,109,662		5,888,298		228		29,786,514	20,648,098			10,377,689	67,610,489
Operating transfers out	(5,653,579)	(342,954)	(1,448,893)	(33,076,236)	(35,640)		(18,748,098)	(1,176,215)		(12,277,689)		(72,759,304)
Total other financing sources (uses)	(4,543,917)	(342,954)	4,439,405	(33,076,236)	(35,412)		11,038,416	19,471,883		(12,277,689)	10,377,689	(4,948,815)
Net change in fund balances	(7,918,120)	(423,589)	(1,681,583)	(32,763,578)	375,093		26,756,403	19,724,945	(9,576,780)	(2,981,035)	(9,295)	(6,497,539)
Fund balances, July 1, 2008, as previously stated	5,797,162	43,063	3,632,528	35,985,359	13,695,861		(16,316,403)	2,622,618	23,116,083	6,058,915	9,526,426	84,161,612
Restatement	1,732,260											1,732,260
Fund balances, July 1, 2008, restated	7,529,422	43,063	3,632,528	35,985,359	13,695,861		(16,316,403)	2,622,618	23,116,083	6,058,915	9,526,426	85,893,872
Fund balances, June 30, 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

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, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 522,472	\$ 2,444,138	\$ 2,499,083	\$ 467,527
Stores inventory	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 522,472</u>	<u>\$ 2,444,138</u>	<u>\$ 2,499,083</u>	<u>\$ 467,527</u>
Liabilities:				
Due to student groups	<u>\$ 522,472</u>	<u>\$ 2,444,138</u>	<u>\$ 2,499,083</u>	<u>\$ 467,527</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 284,782	\$ 942,339	\$ 948,427	\$ 278,694
Stores inventory	<u>54,248</u>	<u>35,387</u>	<u>57,310</u>	<u>32,325</u>
Total assets	<u>\$ 339,030</u>	<u>\$ 977,726</u>	<u>\$ 1,005,737</u>	<u>\$ 311,019</u>
Liabilities:				
Due to student groups	<u>\$ 339,030</u>	<u>\$ 977,726</u>	<u>\$ 1,005,737</u>	<u>\$ 311,019</u>
<u>Special Programs</u>				
Assets:				
Cash on hand and in banks	\$ 12,039	\$ 14,572	\$ 12,341	\$ 14,270
Stores inventory	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,039</u>	<u>\$ 14,572</u>	<u>\$ 12,341</u>	<u>\$ 14,270</u>
Liabilities:				
Due to student groups	<u>\$ 12,039</u>	<u>\$ 14,572</u>	<u>\$ 12,341</u>	<u>\$ 14,270</u>

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,299,409	\$ 3,562,001	\$ 3,580,189	\$ 1,281,221
Stores inventory	<u>44,058</u>	<u>17,802</u>	<u>13,307</u>	<u>48,553</u>
Total assets	<u>\$ 1,343,467</u>	<u>\$ 3,579,803</u>	<u>\$ 3,593,496</u>	<u>\$ 1,329,774</u>
Liabilities:				
Due to student groups	<u>\$ 1,343,467</u>	<u>\$ 3,579,803</u>	<u>\$ 3,593,496</u>	<u>\$ 1,329,774</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 2,118,702	\$ 6,963,050	\$ 7,040,040	\$ 2,041,712
Stores inventory	<u>98,306</u>	<u>53,189</u>	<u>70,617</u>	<u>80,878</u>
Total assets	<u>\$ 2,217,008</u>	<u>\$ 7,016,239</u>	<u>\$ 7,110,657</u>	<u>\$ 2,122,590</u>
Liabilities:				
Due to student groups	<u>\$ 2,217,008</u>	<u>\$ 7,016,239</u>	<u>\$ 7,110,657</u>	<u>\$ 2,122,590</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2009

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, 2009 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, 2009 was comprised of the following:

Michael E. Hanson Superintendent	
Ruth F. Quinto, CPA Deputy Superintendent, Administrative Services / Chief Financial Officer	John Marinovich Associate Superintendent, School Leadership / Chief Academic Officer
Cynthia D. Tucker Associate Superintendent, School Support Services	Kim Mecum Associate Superintendent, Human Resources / Labor Relations
Peri Lynn Turnbull Chief Information Officer	Kurt Madden Associate Superintendent, Information Technology / Chief Technology Officer
Chris Evans Associate Superintendent, School Leadership	Jorge Aguilar Associate Superintendent, Equity and Access
Nancy Akhavan Assistant Superintendent / School Leadership 7-8	Elva Coronado 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	Barbara Bengel Assistant Superintendent, State and Federal Programs
Karin Temple Assistant Superintendent / Operational Services	Jacquie Canfield Administrator, Fiscal Services
Kim Kelstrom Director, Fiscal Services	

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2009

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	5,400	5,407
First through Third	16,290	16,242
Fourth through Eighth	25,548	25,409
Special Education	1,579	1,573
Community Day School	46	52
Home and Hospital	11	13
Non Public Schools	<u>4</u>	<u>5</u>
Subtotal Elementary	<u>48,878</u>	<u>48,701</u>
Secondary:		
Regular Classes	17,728	17,589
Special Education	822	824
Compulsory Continuation Education	607	591
Home and Hospital	9	10
Non Public Schools	<u>1</u>	<u>1</u>
Subtotal Secondary	<u>19,167</u>	<u>19,015</u>
Charter School - Classroom-based	<u>214</u>	<u>213</u>
District subtotal before Adult	<u>68,259</u>	<u>67,929</u>
Adult Education:		
Independent Study	118	111
Concurrent Classes	394	413
Non-current Classes	<u>4,459</u>	<u>4,522</u>
Subtotal Adult	<u>4,971</u>	<u>5,046</u>
District Totals	<u><u>73,230</u></u>	<u><u>72,975</u></u>

Hours of Attendance

Summer School:		
Elementary	385,188	388,515
Secondary	<u>860,271</u>	<u>918,956</u>
	<u><u>1,245,459</u></u>	<u><u>1,307,471</u></u>

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2009

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2008-09 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	58,750	180	In Compliance
Grade 8	54,000	54,000	58,750	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	47,700	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

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2009

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education</u>			
Adult Education Cluster:			
84.002	Adult Basic Education & ESL	14508	\$ 262,954
84.002	Family Literacy	13977	76,500
84.002	Adult Secondary Education	13978	54,625
84.002A	English Literacy and Civics Education	14109	<u>71,261</u>
	Subtotal Adult Education Cluster		<u>465,340</u>
NCLB: Title I Cluster:			
84.010	NCLB: Title I, Part A Basic Grants, Low Income & Neglected	14329	43,268,093
84.330	NCLB: Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	81,124
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	98,123
84.010	NCLB: Title I, Part A, Program Improvement District Intervention	14581	2,850,000
84.010	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	14579	<u>64,057</u>
	Subtotal NCLB: Title I Cluster		<u>46,361,397</u>
Special Education Cluster:			
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,449,585
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	128
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	283,737
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	610,746
84.181	IDEA Early Intervention Grants, Part C	23761	<u>88,380</u>
	Subtotal Special Education Cluster		<u>14,432,576</u>
NCLB: Title II Cluster:			
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	405,124
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	<u>144,675</u>
	Subtotal Title II Cluster		<u>549,799</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2009

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education (Continued)</u>			
84.394	ARRA: State Fiscal Stabilization Fund	25008	\$ 27,469,317
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	2,050,380
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	6,403,778
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CAMSP)	14512	321,531
84.186	NCLB: Title IV, Part A, Safe and Drug-Free Schools and Communities Formula Grants	14347	645,012
84.184	NCLB: Title IV Community Service Grant, Part A, Subpart D	14348	16,926
84.351D	Arts in Education	-	287,106
84.357A	NCLB: Title I, Part B, Reading First Program	14328	6,221,981
84.298A	NCLB: Title V, Part A, Innovative Education Strategies	14354	152,900
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	145,000
84.165	Magnet School Assistance	-	3,455,577
84.060A	Indian Education	10011	78,681
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	2,662,343
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,674,478
84.215J	Full Service Community Schools Program	-	118,113
84.215L	Smaller Learning Communities	-	923,904
84.215S	Partnership in Education	-	72,086
84.048	Vocational Programs: Voc. and Applied Technology State Leadership, Sec. 124 (Carl Perkins Act)	13920	1,014,945
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	13923	464,933
84.330	Advanced Placement Incentive Grant	-	212,973
	Total U.S. Department of Education		<u>116,201,076</u>
<u>U.S. Department of Health and Human Services</u>			
	Child Development Cluster:		
93.575	Quality Improvement Activities	13979	107,567
93.575	School-Age Child Care Resource Contracts	13941	2,050
93.575	Child Care Initiative Project (CCIP) / Playground Safety Contracts	13942	5,557
	Subtotal Child Development Cluster		<u>115,174</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2009

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services (Continued)</u>			
93.778	Department of Health Services: Medi-Cal Billing Option	10013	\$ 755,840
93.556	Promoting Safe and Stable Families	-	<u>160,443</u>
	Total U.S. Department of Health and Human Services		<u>1,031,457</u>
<u>U.S. Department of Agriculture</u>			
	Child Nutrition Cluster:		
10.558	Child Nutrition: CCFP Claims, Centers and Family Day Care Homes	13529	40,248
10.561	Nutrition Network Grant	-	69,219
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	27,250,742
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>105,757</u>
	Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>27,465,966</u>
	Total Federal Programs		<u>\$ 144,698,499</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, 2009

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>
June 30, 2009 Unaudited Actual Financial Report Ending Fund Balance	<u>\$105,638,578</u>	<u>\$ 150,000</u>	<u>\$ 17,463</u>	<u>\$ 17,393,584</u>
Adjustment to remove accounts receivable and associated revenue for categorical program funds unappropriated by the State of California for the year ended June 30, 2009:				
L/A Special Education Apportionments	(3,362,396)			
7-12 Counseling	(2,001,576)			
English Language Acquisition	(767,546)			
High School Class Size Reduction	(696,629)			
After School Education and Safety	(669,874)			
Certificated Staff Mentoring	(537,915)			
School Safety	(504,008)			
Home to School Deferral	(464,066)			
Teacher Credentialing Block Grant	(454,896)			
Arts & Music Block Grant	(430,394)			
CalSAFE - Child Care	(293,426)			
ROC/P	(263,853)			
Dept Mental Health	(179,146)			
Special Ed Workability	(171,229)			
CalSAFE - Academic & Supp	(162,781)			
Early Ed for Individuals with Exceptional Needs	(159,184)			
Peer Review/Staff Dev	(64,120)			
Economic Impact Aid	(57,209)			
Special Ed DDS Early Intervention	(29,550)			
GATE	(10,461)			
Special Ed - Low Incidence Services	(4,761)			
Community Day Schools	(4,558)			
Ag/Voc Ed	(3,807)			
Class Size Reduction	(3,298)			
Adult Education		(538,698)		
Targeted State Preschool Expansion			(232,633)	
Preschool Child Development			(145,434)	
Preschool Expansion Program			(14,053)	
General Child Care			(5,869)	
Child Nutrition (from Mega)				(128,296)
Total adjustments	<u>(11,296,683)</u>	<u>(538,698)</u>	<u>(397,989)</u>	<u>(128,296)</u>
June 30, 2009 Audited Financial Statements Ending Fund Balance	<u>\$ 94,341,895</u>	<u>\$ (388,698)</u>	<u>\$ (380,526)</u>	<u>\$ 17,265,288</u>

There were no adjustments proposed to any other 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, 2009

	<u>(Budgeted)</u> <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$688,851,299</u>	<u>\$691,311,255</u>	<u>\$698,926,461</u>	<u>\$702,232,852</u>
Expenditures	689,393,871	676,041,565	703,348,410	645,449,735
Other uses and transfers out	<u>16,998,132</u>	<u>5,888,660</u>	<u>3,452,063</u>	<u>6,650,767</u>
Total outgo	<u>706,392,003</u>	<u>681,930,225</u>	<u>706,800,473</u>	<u>652,100,502</u>
Change in fund balance	<u>\$ (17,540,704)</u>	<u>\$ 9,381,030</u>	<u>\$ (7,874,012)</u>	<u>\$ 50,132,350</u>
Ending fund balance	<u>\$ 76,801,191</u>	<u>\$ 94,341,895</u>	<u>\$ 84,960,865</u>	<u>\$ 92,834,877</u>
Available reserves	<u>\$ 58,416,293</u>	<u>\$ 53,118,179</u>	<u>\$ 41,074,374</u>	<u>\$ 33,487,840</u>
Designated for economic uncertainties	<u>\$ 57,727,577</u>	<u>\$ 53,118,179</u>	<u>\$ 41,074,374</u>	<u>\$ 33,487,840</u>
Undesignated fund balance	<u>\$ 688,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>8.27%</u>	<u>7.79%</u>	<u>5.81%</u>	<u>5.14%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$346,417,631</u>	<u>\$368,726,069</u>	<u>\$351,427,278</u>	<u>\$330,935,593</u>
Average daily attendance at P-2, (excludes classes for adults and charter schools)	<u>67,325</u>	<u>68,045</u>	<u>68,169</u>	<u>69,976</u>

The General Fund fund balance has increased by \$51,639,368 over the past three years. The fiscal year 2009-10 budget projects a decrease of \$17,540,704. 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, 2009, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, but anticipates an operating deficit in fiscal year 2010.

Total long-term liabilities have increased by \$37,790,476 over the past two years, primarily due to the implementation of GASB 45.

Average daily attendance, excluding classes for adults and charter schools, has decreased by 1,931 over the past two years. A decrease of 720 ADA is projected for the 2009-2010 fiscal year.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2009

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Fresno Prep Academy	Separate Report
KIPP Academy	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.

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 2009-2010 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, 2009, 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, 2009. 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
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	No, see below
Regional Occupational Center and Programs	6	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
Morgan-Hart Class Size Reduction Program	7	No, see below
Instructional Materials:		
General requirements	12	No, see below
Grades K-8	1	No, see below
Grades 9-12	1	No, see below
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
Mathematics and Reading Professional Development	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>
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	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 performed procedure (a) of Section 19828.3 related to Instructional Materials: General Requirements. However, we did not perform procedures (b), (c) and (e) of Section 19828.3 for the Instructional Materials per the flexibility provisions in SBx3 4.

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 Community Day School ADA because the ADA reported was below the level required for testing.

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 2008-2009 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, 2009. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2008-2009 Audit Guide relating to the comparison of tested data from the 2008-2009 fiscal year to the 2008-2009 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.

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

(Continued)

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.

We did not perform any procedures related to Adult Education, Regional Occupational Center and Programs, Morgan Hart Class Size Reduction Program, Instructional Materials: Grades K-8 Only, Instructional Materials: Grades 9-12 Only, or Mathematics and Reading Professional Development as these programs are not required to be audited per flexibility provisions in SBx3 4.

In our opinion, Fresno Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2009, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. 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.

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.

Passy-Smitk

Sacramento, California
December 2, 2009

**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, 2009, and have issued our report thereon dated December 2, 2009. 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 of the effectiveness of Fresno Unified School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

**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

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*.

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.

Ruby - Smith CP

Sacramento, California
December 2, 2009

**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, 2009. 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, 2009.

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 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 control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 that might be 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.

ARRY - SMITH LLP

Sacramento, California
December 2, 2009

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 84.394	Child Nutrition: School Programs (NSL Sec. 11) ARRA: State Fiscal Stabilization Fund

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

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

STATE AWARDS

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: Qualified

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

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:

- 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 charged to the correct sub-ledger.

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, 2009

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 reviewed regularly to ensure that they are properly recorded in the correct student group account.

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 provide additional training focused on preparing required documentation for compliance and continue to monitor timeliness of submission of reports.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2009

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, 2009

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2. STATE COMPLIANCE - REGULAR AND SPECIAL DAY CLASSES (10000)

Criteria

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

Condition

- At 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 School two students were improperly included for a total misstatement of 2 days.

Effect

The effect of this condition is an extrapolated overstatement of 18.51 ADA.

Cause

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

Fiscal Impact

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

Recommendation

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

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2009

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

2. STATE COMPLIANCE - REGULAR AND SPECIAL DAY CLASSES (10000)
(Continued)

Corrective Action Plan

The District will revise and resubmit the Second Period and Annual Reports of Attendance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2009

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2008-1</p> <p>At various school sites tested, we noted the following:</p> <ul style="list-style-type: none"> • Cash receipts are not supported by detailed cash collection forms. • Several expenditures tested were not approved or signed by 3 authorized individuals. • Fundraising approval forms are not consistently being used to approve revenue-producing activities. • Student store inventory is not counted or reviewed periodically. • Cash register tapes from the student store are not reconciled to the bank deposits. • School sites do not consistently prepare profit and loss statements for the student store. • Financial reconciliations are not being consistently reviewed to ensure account sub-ledgers reconcile to the summary forwarded to the District Office. <p>We recommend the following:</p> <ul style="list-style-type: none"> • Proper supporting documentation should accompany funds submitted for deposit. • 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. • Expenditures should be approved by the appropriate individuals for Elementary, Middle and High Schools. • Student store inventory should be counted or reviewed regularly. • Profit and loss statements should be prepared monthly for the student store activity. • Monthly and annual financial statements should be reviewed to ensure all elements are appropriately included and accurately prepared. 	<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, 2009

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2008-2</p> <p>Three teachers who were assigned to instruct a class with more than 20 percent are Limited English Proficiency (LEP) learners did not have the proper certifications to instruct the class.</p> <p>The District should perform a review of all classes to determine those with more than 20 percent LEP student enrolled and ensure the teacher has the appropriate certifications.</p>	<p>Implemented.</p>	
<p>2008-3</p> <ul style="list-style-type: none"> • At Hidalgo Elementary School, one student was improperly included for a total misstatement of 1 day. • At Jackson Elementary School, one student was improperly included for a total misstatement of 1 day. • At Lowell Elementary School, two students were improperly included for a total misstatement of 2 days. • At Rowell Elementary School, two students were improperly included for a total misstatement of 2 days. • At Webster Elementary School, two students were improperly included for a total misstatement of 2 days. <p>The District should revise the Second Period Report of Attendance removing the disallowed ADA.</p>	<p>Implemented.</p>	
<p>2008-4</p> <ul style="list-style-type: none"> • The Parental Agreement form required by the California Department of Education was not properly completed for one student retained at Hidalgo Elementary School. • The Parental Agreement form required by the California Department of Education was not properly completed for one student retained at Yokomi Elementary School. 	<p>Implemented.</p>	

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2009

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2008-4 (Continued)		
The District should perform a review of the continuation forms, to ensure all of the required elements are included in form and content, before preparing the Second Period and Annual Reports of Attendance. In addition, the District should revise the Second Period Report of Attendance, reflecting the removal of the disallowed ADA.		