

FRESNO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The implementation of Statement No. 75 resulted in a cumulative adjustment to the District's July 1, 2017 net position by \$559,534,914 because of the recognition of the net OPEB liability and related deferred outflows of resources. Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 to 23 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Net Other Postemployment Benefits (OPEB) Liability, the Schedule of Money-Weighted Rate of Return on OPEB Plan Investments, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 77 to 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

(Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of Fresno Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fresno Unified School District's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Sacramento, California
November 29, 2018

(Continued)



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Robert G. Nelson, Ed.D

December 12, 2018

Board of Trustees
Fresno Unified School District
Fresno, California 93721

Dear Trustees:

I am pleased to present the financial statements for the Fresno Unified School District (the District) for the fiscal year ended June 30, 2018, with the Independent Auditors' Reports on those financial statements and the Federal and State Compliance audits. These financial statements have been prepared in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), and confirm that the District is fiscally sound as defined by the State Controller's Office, with a General Fund balance of \$149,172,092.

The California Education Code requires the governing board provide for an annual audit made by certified public accountants licensed by the State Board of Accountancy. The licensed firm of Crowe LLP rendered the attached auditors' reports.

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

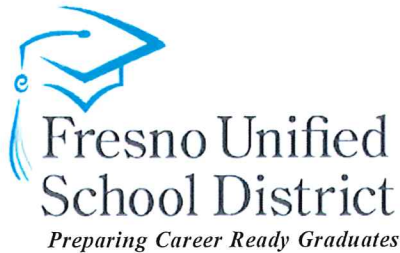
This financial report is designed to provide our community, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the resources it receives.

Respectfully Submitted,

Ruth F. Quinto
Deputy Superintendent/Chief Financial Officer

Management's Discussion and Analysis

June 30, 2018



The management of the Fresno Unified School District (the District), offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year which ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that is furnished in the letter of transmittal at the front of this report. This discussion and analysis provide a comparison between fiscal year 2017/18 and fiscal year 2016/17.

FINANCIAL HIGHLIGHTS

- The primary government has a net position deficit in governmental activities totaling \$1.03 billion at June 30, 2018.
- The total net position of the District decreased by \$29 million during fiscal year 2017/18. This is mainly due to an increase in the County School Facility Fund for state funded construction projects offset by the issuance of the Measure X, Series A Bonds, continued investments in capital assets, an increase in post-retirement benefits, and increased net pension liabilities.
- Fund balance of the District's governmental funds increased by \$43 million resulting in an ending fund balance of \$464 million. The increase was mainly due to a combination of the issuance of Measure X, Series A Bond, and the receipt of funds for state funded construction projects.
- At the end of the 2017/18 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by \$16 million resulting in an ending fund balance of \$132 million. This was mainly due to the District's outstanding collective bargaining agreements and the related retroactive salary increases for 2016/17.
- Governmental Accounting Standards Board (GASB) Statement No. 68 recognizes the District's portion of the states California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) pension liabilities, deferred inflows, deferred outflows and pension expenses at June 30, 2018. The District is recognizing a net decrease of \$29 million in the net position as a result of the changes in the net position liability related to deferred outflows and inflow of resources.
- GASB Statement No. 75, replaces GASB Statement No. 45 for 2017/18. GASB Statement No. 75 requires an actuarial valuation of the District's Retiree Health Benefits Plan and full recognition of the net Other Post Employment Benefit (OPEB) liability. GASB Statement No. 45 required recognition of the annual required contribution (ARC) on an annual basis for 30 years. The total OPEB liability of \$1.024 billion as of June 30, 2018 is offset with the 2017/18 net assets in the District's Irrevocable Trust for OPEB liabilities of \$42 million. The net OPEB liability at the end of 2017/18 is \$982 million. In addition, the District transfers \$3.5 million into an irrevocable trust from the General and Self Insurance Funds on an annual basis.

Management's Discussion and Analysis

June 30, 2018

- The District's long-term obligations increased by \$180 million to \$2.5 billion mainly due to an increase of the net OPEB liability, an increase of pension liabilities, and the issuance of Measure X, Series A offset with continued payments to the general obligation bond debt.
- The District maintained a positive financial position for 2017/18 as reflected by Moody's credit rating of Aa3 issued in May 2018. In its report to potential investors, Moody's Investors Services noted the District's "stable financial position and reserve policies." The rating report incorporates "the District's ability to maintain stable financial operations."

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

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

The *Government-wide Financial Statements* also include information on component units that are legally separate from the District (known as the primary government). The District is the agent, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities*.

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

Management's Discussion and Analysis

June 30, 2018

Fund Financial Statements

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

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

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

The District maintains 11 different governmental funds. At June 30, 2018 the major funds are the General Fund, Building Fund, County School Facilities Fund, and the Bond Interest and Redemption Fund. They are presented separately in the *Fund Financial Statements* with the remaining governmental funds combined into a single aggregated presentation labeled *All Non-Major Funds*. Individual fund information for the non-major funds is presented in the Supplementary Information section.

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

Management's Discussion and Analysis June 30, 2018

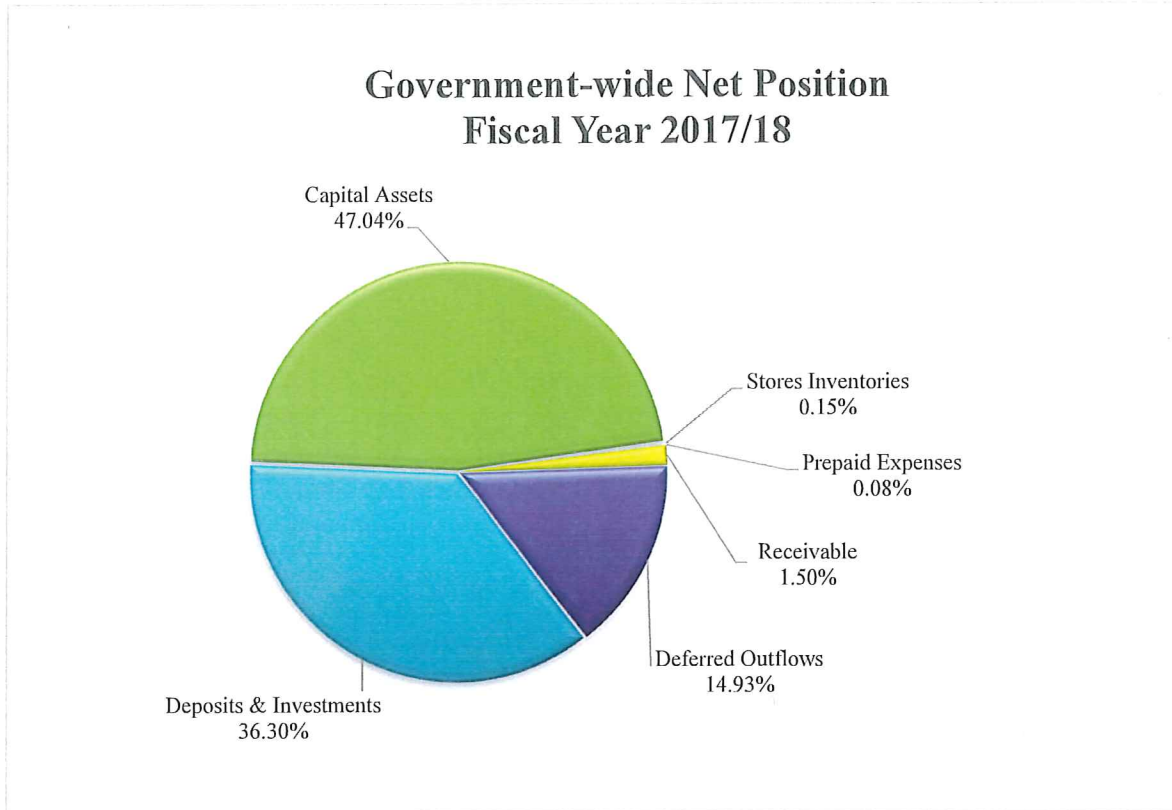
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

	Governmental Activities		Change
	2018	2017 Restated^(A)	
Current and other assets	\$ 657,409,439	\$ 577,606,995	13.82%
Capital assets	813,043,268	785,066,638	3.56%
Total Assets	1,470,452,707	1,362,673,633	7.33%
Deferred Outflows	258,131,755	161,711,762	59.62%
Current liabilities	171,335,166	151,719,108	12.93%
Long-term liabilities	2,523,097,240	2,343,264,563	7.67%
Total Liabilities	\$ 2,694,432,406	\$ 2,494,983,671	7.99%
Deferred Inflows	64,157,000	29,957,000	114.16%
Net invested in capital assets	97,229,012	186,530,977	(47.88%)
Restricted	360,946,217	221,110,224	63.24%
Unrestricted	(1,488,180,172)	(1,408,196,477)	5.68%
Total Net Position	\$(1,030,004,944)	\$(1,000,555,276)	2.94%

^(A)The total net position reported in the 2016/17 financial statements was previously a deficit of \$441 million. The 2016/17 restated total net position is a deficit of \$1.0 billion. The restatement is a result of the implementation of GASB Statement No. 75, which requires the recognition of the total net OPEB liability decreasing the District's net position by \$560 million. GASB Statement No. 75 replaces GASB Statement No. 45 and the requirement to recognize the ARC over 30 years; GASB Statement No. 75 requires full recognition of the net OPEB liability balance.

Management's Discussion and Analysis
June 30, 2018



Government-wide Net Position

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, unearned revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2017/18 fiscal year. Long-term liabilities such as general obligation bonds, energy loans and compensated absences will be liquidated from resources that will become available after the 2017/18 fiscal year.

The liabilities and deferred inflows of the primary government activities exceed the assets and deferred outflows by \$1.03 billion. Total net position of the primary government does not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$813 million in land, land improvements, buildings, equipment and work-in-process represents 55% of the District's total assets. The District serves 70,675 public school students including transitional kindergarten through 12th grade. In addition, the District participates in the state preschool program in which 2,778 students are enrolled. The table and chart above summarizes the District's government-wide net position.

Management's Discussion and Analysis

June 30, 2018

The Cafeteria Fund's key elements that highlight the activities in the 2017/18 fiscal year are as follows:

- Over 23,600 breakfasts, 57,400 lunches and 13,600 snacks per day were served, equating to 16,977,000 meals annually, which is a decrease of 169,000 meals from the prior year.
- The District continues to participate in the National School Lunch and School Breakfast Programs under the Community Eligibility Provision (CEP), which allows all students at every site to receive a healthy breakfast, lunch, and snack every day.
- Meals are served at 107 locations, utilizing 573 full and part-time employees. The volume of meals served has enabled the program to operate on the federal and state reimbursement without additional contribution from the Unrestricted General Fund.
- The lease payments for the nutrition center will expire in 2028.
- The Cafeteria Fund was transferred from an Enterprise Fund to a Special Revenue Fund in 2015/16.

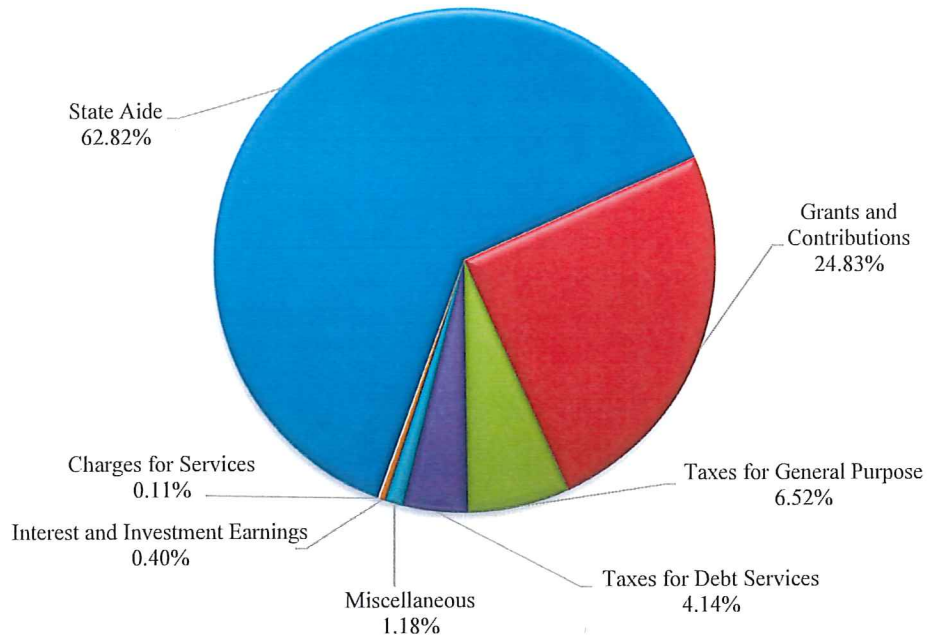
Management's Discussion and Analysis

June 30, 2018

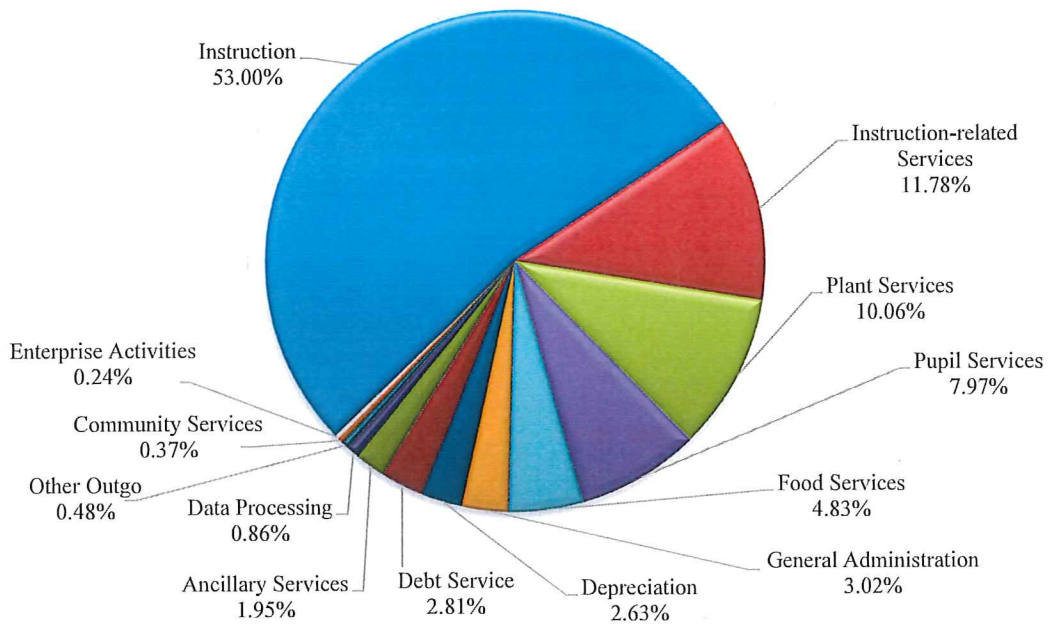
Statement of Activities

	Governmental Activities		
	2018	2017	Change
Program Revenues			
Charges for Services	\$ 1,127,813	\$ 1,633,212	-30.95%
Operating Grants & Contributions	259,845,962	236,283,200	9.97%
General Revenues			
Taxes and Subventions	111,557,601	106,144,371	5.10%
Federal and State Aid, Unrestricted	657,206,327	643,244,542	2.17%
Interest and Investment Earnings	4,102,629	1,199,314	242.08%
Other General Revenues	12,389,261	9,915,490	24.95%
Capital Grants & Contributions	34,503,845	-	100.00%
Total Revenues	<u>1,080,733,438</u>	<u>998,420,129</u>	<u>8.24%</u>
Expenses			
Instruction	588,368,723	524,192,098	12.24%
Instructional Related	130,771,698	117,186,630	11.59%
Student Support Services	142,132,289	126,742,817	12.14%
General Administrative	43,093,958	37,440,958	15.10%
Maintenance and Operations	111,729,870	100,649,072	11.01%
Depreciation	29,211,056	28,302,546	3.21%
Other	64,875,509	59,160,650	9.66%
Total Expenses	<u>1,110,183,103</u>	<u>993,674,771</u>	<u>11.72%</u>
Change in Net Position	<u>\$ (29,449,665)</u>	<u>\$ 4,745,358</u>	<u>-720.6%</u>

Government-wide Revenue Fiscal Year 2017/18



Government-wide Expenditures Fiscal Year 2017/18



Management's Discussion and Analysis

June 30, 2018

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 2017/18.

- The County School Facilities Fund spent \$44.6 million on projects (Measure Q - \$33.5 million, Measure K - \$500,000, and Measure X - \$10.6 million).
- The County School Facilities Fund's major projects and activities included the following:
 - Construction and Maintenance major projects and activities totaling \$22.3 million:
 - Slater Elementary \$ 7.0 million
 - Figarden Elementary \$ 4.6 million
 - Bullard High \$ 3.4 million
 - Duncan High \$ 2.3 million
 - Fresno High \$ 1.7 million
 - Design Science \$ 1.3 million
 - Turner Elementary \$ 0.5 million
 - 16 other sites \$ 1.5 million
 - Modernization Projects included the following sites totaling \$22.3 million:
 - Adult Transition Program \$ 5.3 million
 - Rata \$ 3.7 million
 - Edison High \$ 2.0 million
 - Roosevelt High \$ 1.8 million
 - Duncan High \$ 1.2 million
 - Hoover High \$ 0.8 million
 - Fort Miller Middle \$ 0.5 million
 - Pyle Elementary \$ 0.5 million
 - Addams Elementary \$ 0.5 million
 - Electrical Upgrades \$ 1.5 million
 - Playgrounds \$ 1.2 million
 - 61 other sites totaling \$ 3.3 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 124 students during the fiscal year. The funded average daily attendance (ADA) for fiscal year 2017/18 decreased by 30 ADA from the 2016/17 fiscal year. This decrease amounts to approximately \$300,000.

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 of Education. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2017/18, Fresno Unified spent 56.06% towards classroom compensation.

Management's Discussion and Analysis

June 30, 2018

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

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

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

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

Unrestricted Ending Balance

The prior year ending balance for 2016/17 was \$148 million. The current year ending balance for 2017/18 is \$132 million, a reduction of \$16 million. However, the adopted unrestricted ending balance for 2017/18 was \$95 million. The difference between the 2017/18 adopted ending balance and the 2017/18 actual ending balance is \$37 million and is mainly due to the following:

2016/17 Ending Fund Balance Impacts

- Actual revenue in 2016/17 was lower than the adopted budget by \$2 million mainly due to:
 - State increased the funding “gap” percentage subsequent to the 2017/18 Board of Education Adopted Budget on June 14, 2017 – increase of \$1 million
 - E-rate projects not completed – decrease of \$3 million
- Actual expenditures in 2016/17 were lower than the adopted budget by \$17 million mainly due to:
 - Resources set aside for outstanding labor agreements
 - Lower than anticipated expenditures in salaries
 - One-time savings from programs such as Kids Invent and Goal 2
- Actual carryover in 2016/17 of one-time facility projects was higher than the adopted budget by \$7.0 million

2017/18 Impacts

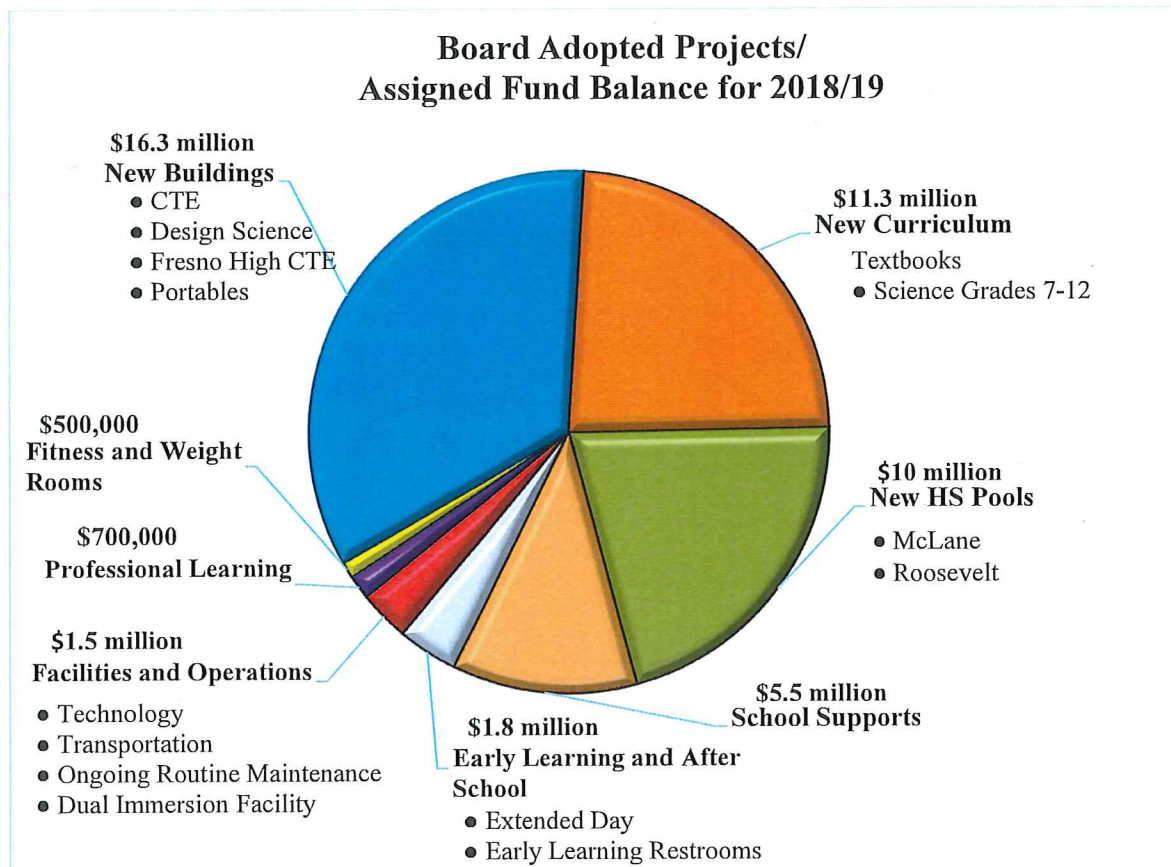
- A decrease in LCFF revenue of \$500,000 due to unanticipated decreases in “gap” funding from the state, an increase in unduplicated pupil percentage and an increase in ADA
- An increase in state income of \$13.5 million primarily due to one-time Mandate Block Grant (MBG) revenues, increases in unrestricted lottery, and Medi-Cal Administrative Activity (MAA) reimbursements
- An increase in local revenue of \$5 million primarily due to increased interest and reimbursement revenues and donations
- An increase in total expenditures of \$3 million primarily due to the following:
 - Increased contributions to restricted programs
 - Increased salary and benefit costs for certificated and classified collective bargaining settlements

Management's Discussion and Analysis

June 30, 2018

The Board designated funds in the 2018/19 budget in the amount of \$47.6 million for future projects as follows:

- Textbooks - \$11.3 million
- Design Science facility - \$6 million
- CTE facility - \$6 million
- High school pools - \$10 million
- Portables - \$3.3 million
- Early Learning restrooms - \$1.1 million
- Fresno High CTE facility - \$1 million
- Common Core - \$0.7 million
- Extended Day - \$0.7 million
- Fresno High Royce Hall upgrades - \$0.2 million
- Technology one-time funds - \$0.2 million
- Donations - \$0.6 million
- Goal 2 one-time funds - \$0.1 million
- Ongoing routing maintenance - \$1 Million
- Fitness and weight room (Phase I) - \$0.5 million
- School Supports - \$4.7 million
- Other program on-time carryover - \$0.2 million

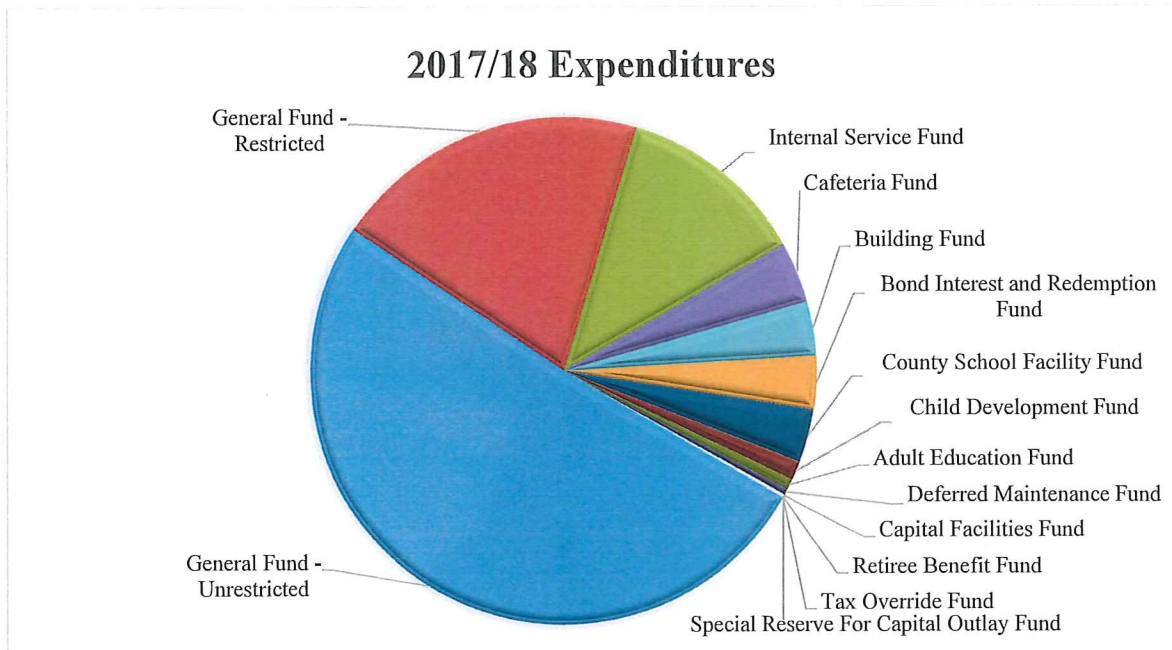


Management's Discussion and Analysis June 30, 2018

Total expenditures for 2017/18 were \$1.3 billion, representing an increase from 2016/17 of \$125 million as listed below (in millions):

Expenditures	2017/18 Unaudited Actuals Expense	2016/17 Unaudited Actuals Expense	Difference	Change
General Fund - Unrestricted	\$ 664.9	\$ 579.1	\$ 85.8	14.8%
General Fund - Restricted	262.9	237.9	25.1	10.5%
Internal Service Fund	157.2	160.5	(3.3)	(2.1%)
Cafeteria Fund	50.5	48.1	2.4	4.9%
Building Fund	45.0	46.7	(1.7)	(3.7%)
Bond Interest and Redemption Fund	44.2	40.8	3.4	8.4%
County School Facility Fund	44.6	37.4	7.2	19.2%
Child Development Fund	15.6	13.2	2.4	18.0%
Adult Education Fund	8.9	7.6	1.2	16.3%
Deferred Maintenance Fund	4.6	2.5	2.1	82.4%
Capital Facilities Fund	2.1	1.3	0.8	58.9%
Special Reserve For Capital Outlay Fund	0.3	0.5	(0.2)	(23.9%)
Retiree Benefit Fund ^(A)	0.0	0.0	0.0	0.0%
Tax Override Fund	0.0	0.0	0.0	0.0%
Total	\$ 1,300.8	\$ 1,175.6	\$ 125.2	10.65%

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

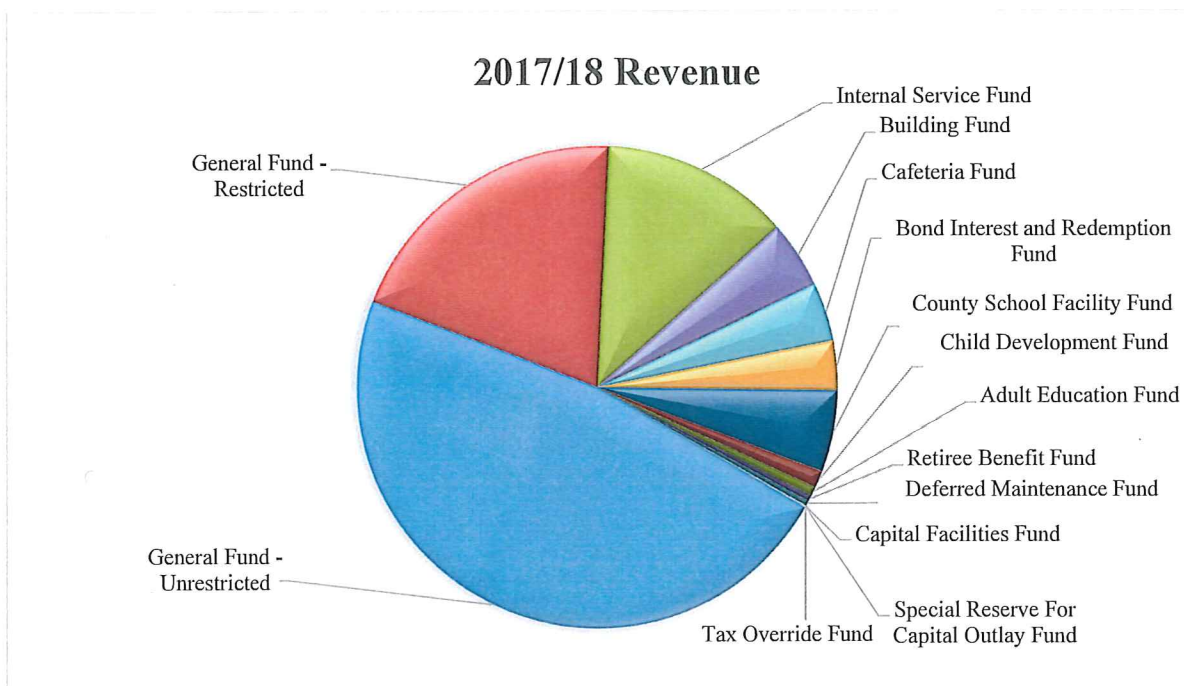


Management's Discussion and Analysis June 30, 2018

Total revenue for 2017/18 was \$1.367 billion, representing a decrease from 2016/17 of \$4.1 million as listed below (in millions):

Revenue	2017/18 Unaudited Actuals Revenue	2016/17 Unaudited Actuals Revenue	Difference	Change
General Fund - Unrestricted	\$ 649.4	\$ 639.8	\$ 9.6	1.5%
General Fund - Restricted	271.9	237.0	34.9	14.7%
Internal Service Fund	174.6	162.6	12.0	7.4%
Building Fund	61.5	32.3	29.3	90.6%
Cafeteria Fund	53.5	53.9	(0.4)	(0.7%)
Bond Interest and Redemption Fund	44.9	170.0	(125.1)	(73.5%)
County School Facility Fund	74.9	44.2	30.7	69.5%
Child Development Fund	15.6	13.2	2.4	18.0%
Adult Education Fund	8.4	7.9	0.5	6.4%
Retiree Benefit Fund ^(A)	5.8	5.8	(0.1)	(0.9%)
Deferred Maintenance Fund	4.6	2.5	2.1	82.4%
Capital Facilities Fund	1.3	1.0	0.3	32.7%
Special Reserve For Capital Outlay Fund	0.1	0.4	(0.3)	(79.4%)
Tax Override Fund	0.0	0.0	0.0	0.0%
Total	\$ 1,366.5	\$ 1,370.6	\$ (4.1)	(0.3%)

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



Management's Discussion and Analysis

June 30, 2018

Capital Assets and Long-Term Liabilities

Governmental Activities,

Capital Assets	2018	2017	Change	Change
Land	\$ 64,815,011	\$ 64,805,162	\$ 9,849	0.02%
Work-in-process	64,096,250	81,813,842	(17,717,592)	(21.66%)
Land improvements	87,289,919	86,604,940	684,979	0.79%
Buildings	972,868,726	905,313,865	67,554,861	7.46%
Equipment	36,518,085	30,848,892	5,669,193	18.38%
Capital Assets, cost	1,225,587,990	1,169,386,701	56,201,289	4.81%
Accumulated Depreciation	(412,544,722)	(384,320,063)	(28,224,659)	7.34%
Governmental Activities Capital Assets, net	\$ 813,043,269	\$ 785,066,638	\$ 27,976,629	3.56%

The District's investment in capital assets for its governmental activities as of June 30, 2018 was \$813 million (net of accumulated depreciation).

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

Summary of Long-Term Liabilities

	2018	2017 Restated ^(A)	Change	Change
Governmental Activities				
General Obligation Bonds	\$646,789,556	\$610,112,608	\$36,676,948	6.01%
Accreted Interest	50,746,345	40,074,237	10,672,109	26.63%
PG&E Energy Loans	233,391	330,324	(96,933)	(29.34%)
Unamortized Premium	18,278,355	16,139,339	2,139,016	13.25%
Other Postemployment Benefits ^(A)	982,091,241	943,069,772	39,021,469	4.14%
Compensated Absences	2,582,352	2,995,286	(412,933)	(13.79%)
Net Pension Liability	822,376,000	730,543,000	91,833,000	12.57%
Governmental Long-Term Liabilities	\$2,523,097,240	\$2,343,264,566	\$179,832,676	7.67%

^(A)The total long-term liabilities reported in the 2017 Financial Statements totaled \$1.8 billion. The July 1, 2017 Restated Long-Term Liabilities is \$2.3 billion. This is due to GASB Statement No. 75 which requires full recognition of the Net OPEB Liability of \$983 million.

At June 30, 2018, the District had a total outstanding bonded debt of \$647 million backed by the full faith and credit of the District.

Total long-term debt for the District increased by \$180 million. The change in the long-term debt was due mainly to the issuance of General Obligation Bonds of \$60 million, a net increase in the pension liability of \$92 million, a net increase in the OPEB liability of \$39 million, an increase in accreted interest of \$11 million, and an increase in unamortized premiums of \$2 million offset by payments to the General Obligation Bonds of \$23 million.

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

Economic Factors and Budgets and Rates for 2018/19

Management's Discussion and Analysis

June 30, 2018

The annual process to develop the District's budget begins in the fall with an update to the Board of Education and stakeholders regarding the District's LCAP actions and investment areas. The following January the Governor proposes the State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions from the Governor's proposal, guidance from Fresno County Superintendent of Schools, and enrollment projections. The 2018/19 Proposed Budget includes recommendations that continue to balance the Board of Education's investments in extensive student programs, competitive employee compensation, and prudent fiscal responsibility.

On May 30, 2018, the Board of Education approved an Adopted Budget for fiscal year 2018/19. The Adopted Budget included an 8.72% unrestricted reserve.

- The major State assumptions are:
 - The Local Control Funding Formula (LCFF) is estimated to be fully funded, eliminating the "gap" funding, which equates to approximately \$50.3 million
 - Statutory cost-of-living adjustment of 3.0%
 - The cash flow projected a positive balance of \$184 million on June 30, 2019
 - Educational Protection Account continues as required by Proposition 30 (November 2012) which represents 11% of the LCFF of \$80 million
 - The District is projected to be funded on the current year ADA
 - LCFF Supplemental and Concentration funding of \$193 million
- The local assumptions are as follows:
 - Classroom teacher investments include: A reduction in class size for grades 4-6 from 30:1 to 29:1, grades 9-12 from 31:1 to 29:1; and, the elimination of combination classes in transitional kindergarten through 6th grade where sufficient classrooms are available
 - The Elementary School Aligned Instructional System: Designated sites, instructional aids including kindergarten aids, police chaplains and campus assistants to increase safety, custodial; clerical supports; administrative support; and, health care professionals including a registered nurse; and, licensed vocational nurse
 - The Middle School Aligned Instructional System: Innovative professional learning teams, transition, and campus culture support; safety investments include a school neighborhood resource officer, probation officer, and campus assistants; custodial support; clerical support, administrative support; and, health care professionals including a registered nurse and licensed vocational nurse
 - The High School Aligned Instructional System: Professional learning, librarian, student engagement, campus culture director, and athletic director support; safety investments include school neighborhood resource officers, probation officers, and campus assistants; custodial support including PE custodians, pool custodians, and auditorium custodians; clerical supports including a library technician; administrative support; and health care professionals including a registered nurse and licensed vocational nurse
 - School site allocations for instructional classroom support; after-school activities/athletics, equipment and coaching contracts; as well as, supplies for libraries
 - Dual immersion support to develop and provide Hmong curriculum and support of a Hmong and Spanish Program Manager. In addition, there will be an expansion of the dual immersion programs at Burroughs, Calwa, Centennial, Jackson, Lane, Roeding, and Vang Pao
 - English learner support increased services for Saturday school, summer school, and after school programs

Management's Discussion and Analysis

June 30, 2018

- Administrative support for an additional accountant for STRS and PERS reporting and an upgrade of the Payroll director to executive director to align with new responsibilities.
- Department of Prevention and Intervention supports for the expansion of the Multi-Tiered System of Support (MTSS) to support:
 - Intensive Individualized Interventions and Supports (Tier III) – addition of behavior intervention specialists, a school counselor, and contract services
 - Targeted Small Group Intervention and Supports (Tier II) – addition of child welfare and attendance specialists, a community education specialist for mentoring, and the addition of a manager II to oversee Tier II services
 - Universal Preventative Supports (Tier I) – addition of instructional specialists to support school climate and contract services for foster youth
- College and Career Readiness support to include the addition of an executive director, secretary, manager, job developer, and program manager. These positions will be supported within current allocated resources
- Human Resources support for four additional positions to reduce vacancy rates and improve customer service
- Communications support for three additional staff due to grant funds ending, fully funding a secretary and transfer of a manager from Communications to Constituent Services
- Parent University support for an additional home-school liaison and office assistant to maintain community partnerships and parent center customer service. In addition, one-time funds have been provided to support an increase in supplies and equipment
- Board of Education support for the transfer of the manager from Communications to Constituent Services and an increase in supplies for communications
- Keeping student technology current support to provide learners with a tablet in PreK-Kindergarten and grades 9 through 11. Included is the addition of three technology technicians to support teachers on the utilization of technology and support for student digital learning tools
- Technology support for annual increased maintenance costs offset by a reduction in staffing changes
- Equity and Access support for a manager to assist with school of choice and an additional executive director and manager offset by a reduction in services from UC Merced
- Research, Evaluation and Assessment support increases for assessments, survey materials, and resources
- Music investments to increase five primary grade music teachers to expand music for all second grade classrooms
- Special Education investments to support the recommendations of the special education committee in alignment with the collective bargaining agreement, Adult Transition program to continue to move services from FCSS to the District provided services, and speech services
- Social Emotional Support supports for five additional psychologists to coordinate early intervention efforts for general education students, support culture/climate efforts, and reduce student psychologist ratio to align with state average
- Health Services support of 10 additional registered nurses
- Curriculum support of one-time funds for Science adoption for grades 7-12 and alternative learning pathways and autism adoption with additional investments for a manager to support the upcoming History and Social Science adoption and increased contract for comprehensive sexual health education for middle and high schools
- Professional Learning supports for the implementation of customer service training for all classified, leaders, and clerical staff with additional investments to provide professional learning for substitute teachers due to the increase in the substitute pool

Management's Discussion and Analysis

June 30, 2018

- African-American Student Academic Acceleration supports to expand student initiatives including academic advisors, early learning pilot, assessments, suspended students, academic and college mentoring, and summer literacy program.
This includes the addition of a teacher on special assignment, principal on special assignment, program manager, analyst, and an increase in supplemental contracts, services, and supplies
- Sunnyside Doctors Academy support to sustain student tutoring no longer provided by grant funds
- Maintenance and Operations support for the increase costs of utilities and two additional custodians for increased square footage
- Restricted Routine Maintenance Operations supports an increase of four HVAC mechanics, a locksmith, and a supervisor for the auto repair shop. These positions will be supported within the current allocation supported by District contribution
- Safety and Security support for two safety and security specialists, two campus safety assistants, extra support for campus safety substitute costs for vacancies, and extra support along with an increase in law enforcement contracts to support schools in addition to one-time funds for vehicles
- Facilities one-time funds for inventory and assessment of district office space
- Purchasing one-time funds for truck replacements to comply with Air Resources Board regulations
- Transportation support for an additional transportation supervisor for increased support of daily operations and expanded hours of coverage
- Utilization of one-time resources
 - Education Programs: Common core professional development, extended day programs, textbooks for Science and Autism Curriculum
 - Plant Maintenance and Operations: Design Science facility project, new high school pools at McLane and Roosevelt, portable classrooms, early learning restrooms, Fresno High CTE facility, vehicles for purchasing and safety and security, assessment of district office space, furniture and equipment for Parent University and Human Resources, election costs, and the Court Appointed Special Advocate contract
- Multi-Year Items
 - Future textbook adoptions for curricular areas such as Science and Autism and other subject areas to be identified in future years
 - STRS and PERS increased employer rates:

Year	STRS Employer Rate	PERS Employer Rate	Annual Increase to District Contribution	Annual District Contribution
2018/19	16.28%	18.062%	\$9.2 million	\$70.8 million
2019/20	18.13%	20.8%	\$9.4 million	\$87.0 million
2020/21	19.10%	23.5%	\$6.1 million	\$93.1 million

- An Unrestricted General Fund contribution of \$1.5 million and a \$2.0 million contribution from the Health Fund to the OPEB irrevocable trust for all years
- Increases in minimum wage each year up to \$15 per hour in 2023 equating to a \$378,000 in 2018/19, \$1.3 million in 2019/20, and \$2.0 million in 2020/21
- Benefit Rates
 - Increase the Health rate in accordance with the current employee bargaining agreements by \$854 to \$18,643 per employee. In addition, for each active eligible employee the contribution to the Health Fund is estimated to increase by \$385 in 2019/20, and an additional \$500 in 2020/21, equating to \$2.3 million and \$3.0 million respectively

Management's Discussion and Analysis June 30, 2018

- Workers' Compensation maintains the Liability Insurance rates to fund the reserve level at 75% for 2018/19

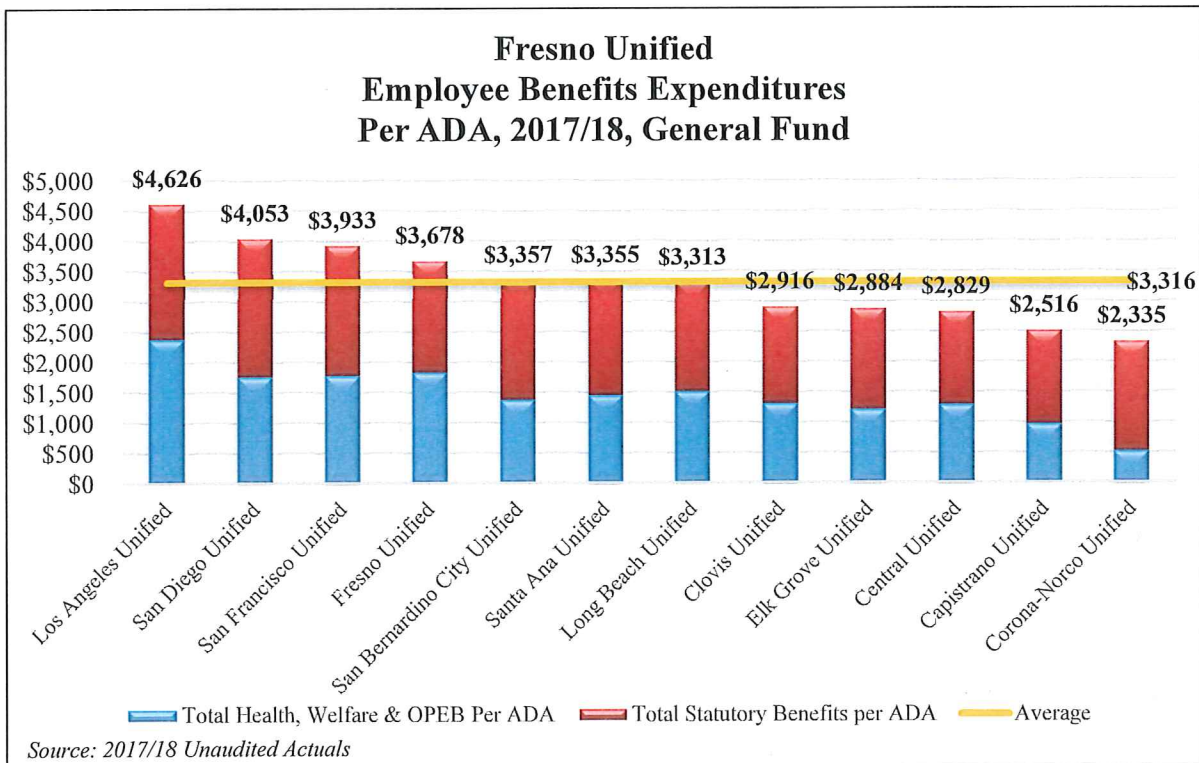
Employee Benefits

The District provides post-employment health benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees who retire at least 57½ years of age. For employees hired on or after July 1, 2005, the District provides five years of post-employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees who retire at least 60 years of age. GASB 74 and GASB 75, which replaced GASB 43 and GASB 45 for the 2017/18 reporting period, are governmental accounting standards that direct how state and local governments will account for these benefits.

The District's most recent actuarial study calculated the total gross liability for post-employment benefits to be \$1.02 billion in October 2018. The previous actuarial completed in May 2016 totaled \$965 million. The District established an irrevocable trust in 2013/14. The Trust Fund increased by \$5.7 million and at the end of 2017/18 had an ending fund balance of \$42.1 million. In 2018/19, the District plans to transfer \$3.5 million to the OPEB irrevocable trust. At June 30, 2018, the total net OPEB liability was \$982 million.

Included in total employee statutory benefits are the District's contributions to CalPERS and CalSTRS on behalf of employees' pensions. The employer contribution rates for CalSTRS and CalPERS began to increase in 2014/15 from rates of 8.25% and 11.44% respectively. CalSTRS rates are currently legislated to increase through 2020/21 to 19.10% and CalPERS projects rate increases through 2023/24 to 28.2%.

Fresno Unified ranks fourth in spending for total employee benefits per ADA when compared to the largest ten districts in the state and two of the largest local districts. The District outspends the average by \$361/ADA. If the District spent at the state average of \$3,317/ADA, annual savings generated equates to \$24 million. Furthermore, the District's per ADA contributions for 2017/18 increased \$510 over 2016/17.



Management's Discussion and Analysis

June 30, 2018

Pension Liability

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 506,532,262
Investments (Note 2)	120,839,434
Receivables	25,947,298
Prepaid expenses	1,433,216
Stores inventory	2,657,228
Non-depreciable capital assets (Note 4)	128,911,261
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>684,132,008</u>
Total assets	<u>1,470,452,707</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	254,735,006
Deferred outflows of resources - loss from refunding of debt	3,377,559
Deferred outflows of resources - OPEB (Note 10)	<u>19,190</u>
Total deferred outflows	<u>258,131,755</u>
LIABILITIES	
Accounts payable and other current liabilities	101,112,360
Unearned revenue	11,858,454
Self-insurance claims liability (Note 5)	58,364,352
Long-term liabilities (Note 6):	
Due within one year	28,222,521
Due after one year	<u>2,494,874,719</u>
Total liabilities	<u>2,694,432,406</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>64,157,000</u>
NET POSITION	
Net investment in capital assets	231,982,273
Restricted:	
Legally restricted programs	37,044,337
Capital projects	53,365,962
Debt service	160,444,637
Self insurance	29,228,534
Unrestricted	<u>(1,542,070,687)</u>
Total net position	<u>\$ (1,030,004,944)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities:			Capital Grants and Contributions	Governmental Activities	
Instruction	\$ 588,368,723	\$ 260,245	\$ 119,247,598	\$ 34,503,845	\$ (434,357,035)
Instruction-related services:					
Supervision of instruction	53,866,473	254,337	26,709,673	-	(26,902,463)
Instructional library, media and technology	13,368,217	6,108	432,873	-	(12,929,236)
School site administration	63,537,008	156,082	6,038,725	-	(57,342,201)
Pupil services:					
Home-to-school transportation	19,966,392	561	1,921,229	-	(18,044,602)
Food services	53,595,189	120,651	54,033,240	-	558,702
All other pupil services	68,570,708	85,610	20,691,204	-	(47,793,894)
General administration:					
Data processing	9,569,529	-	7,581	-	(9,561,948)
All other general administration	33,524,429	45,838	7,694,329	-	(25,784,262)
Plant services	111,729,870	196,601	14,741,973	-	(96,791,296)
Ancillary services	21,615,336	-	5,250,277	-	(16,365,059)
Community services	4,140,269	1,264	2,176,559	-	(1,962,446)
Enterprise activities	2,620,554	516	263,599	-	(2,356,439)
Interest on long-term liabilities	31,168,445	-	-	-	(31,168,445)
Other outgo	5,330,905	-	637,102	-	(4,693,803)
Depreciation (unallocated) (Note 4)	29,211,056	-	-	-	(29,211,056)
Total governmental and business-type activities	\$ 1,110,183,103	\$ 1,127,813	\$ 269,845,962	\$ 34,503,845	(814,705,483)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					68,198,206
Taxes levied for debt service					43,359,395
Taxes levied for other specific purposes					335,278
Federal and state aid not restricted to specific purposes					657,206,327
Interest and investment earnings					4,102,629
Special and extraordinary items					56,562
Miscellaneous					11,997,421
Total general revenues					785,255,818
Change in net position					(29,449,665)
Net position, July 1, 2017, as originally stated					(441,020,365)
Cumulative effect of GASB 75 Implementation					(559,534,914)
Net position, July 1, 2017, as restated					(1,000,555,279)
Net position, June 30, 2018					\$ (1,030,004,944)

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County						
Treasury	\$ 210,826,057	\$ 101,904,284	\$ 38,264,416	\$ 39,445,597	\$ 16,938,157	\$ 407,378,511
Cash in revolving fund	84,215	-	-	-	-	84,215
Cash on hand and in banks	96,614	-	-	-	6,033,750	6,130,364
Collections awaiting deposit	-	-	-	-	26,903	26,903
Investments	-	-	-	120,839,434	-	120,839,434
Receivables	15,407,987	367,186	130,877	159,606	9,521,148	25,586,804
Prepaid expenditures	374,792	-	-	-	1,249	376,041
Due from other funds	5,756,592	-	20,905,026	-	987,350	27,648,968
Stores inventory	1,613,205	-	-	-	1,044,023	2,657,228
	<u>\$ 234,159,462</u>	<u>\$ 102,271,470</u>	<u>\$ 59,300,319</u>	<u>\$ 160,444,637</u>	<u>\$ 34,552,580</u>	<u>\$ 590,728,468</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 73,133,544	\$ 4,750	\$ 11,074,955	\$ -	\$ 3,159,065	\$ 87,372,314
Unearned revenue	11,853,826	-	-	-	4,628	11,858,454
Due to other funds	-	21,403,973	450,364	-	5,629,207	27,483,544
	<u>84,987,370</u>	<u>21,408,723</u>	<u>11,525,319</u>	<u>-</u>	<u>8,792,900</u>	<u>126,714,312</u>
Fund balances:						
Nonspendable	2,072,212	-	-	-	1,045,272	3,117,484
Restricted	16,875,619	80,862,747	47,775,000	160,444,637	24,714,408	330,672,411
Assigned	47,651,894	-	-	-	-	47,651,894
Unassigned	82,572,367	-	-	-	-	82,572,367
	<u>149,172,092</u>	<u>80,862,747</u>	<u>47,775,000</u>	<u>160,444,637</u>	<u>25,759,680</u>	<u>464,014,156</u>
	<u>\$ 234,159,462</u>	<u>\$ 102,271,470</u>	<u>\$ 59,300,319</u>	<u>\$ 160,444,637</u>	<u>\$ 34,552,580</u>	<u>\$ 590,728,468</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - Governmental Funds		\$ 464,014,156
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,225,587,991 and the accumulated depreciation is \$412,544,722 (Note 4).		
		813,043,269
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, 2018 consisted of (Note 6):		
General Obligation Bonds	\$ (646,789,556)	
Unamortized premiums	(18,278,355)	
Accreted interest	(50,746,345)	
PG&E energy savings loans	(233,391)	
Net OPEB liability (Note 10)	(982,091,241)	
Net pension liability (Notes 8 and 9)	(822,376,000)	
Compensated absences	<u>(2,582,352)</u>	
		(2,523,097,240)
Internal service funds are included in the government-wide financial statements.		
		29,228,534
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding of the debt.		
		3,377,559
In government funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources - pensions (Notes 8 and 9)	\$ 254,735,006	
Deferred outflows of resources - OPEB (Note 10)	19,190	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>(64,157,000)</u>	
		190,597,196
Unmatured interest on long-term liabilities is recognized in the period incurred.		
		<u>(7,168,418)</u>
Total net position -governmental activities		<u>\$ (1,030,004,944)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Building Fund	County School Facilities Fund	Bond Interest Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 633,401,610	\$ -	\$ -	\$ -	\$ -	\$ 633,401,610
Local sources	<u>65,050,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,050,010</u>
Total LCFF	<u>698,451,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>698,451,620</u>
Federal sources	78,071,064	-	-	-	50,537,109	128,608,173
Other state sources	122,767,981	-	34,503,845	436,613	24,588,680	182,297,119
Other local sources	<u>17,256,785</u>	<u>1,176,029</u>	<u>377,388</u>	<u>42,215,601</u>	<u>3,791,720</u>	<u>64,817,523</u>
Total revenues	<u>916,547,450</u>	<u>1,176,029</u>	<u>34,881,233</u>	<u>42,652,214</u>	<u>78,917,509</u>	<u>1,074,174,435</u>
Expenditures:						
Current:						
Certificated salaries	396,076,932	-	-	-	8,761,638	404,838,570
Classified salaries	124,861,726	-	576,478	-	18,567,263	144,005,467
Employee benefits	244,126,633	-	283,596	-	16,618,404	261,028,633
Books and supplies	56,461,712	-	1,362,553	-	24,579,035	82,403,300
Contract services and operating expenditures	91,360,160	389,343	4,598,700	-	10,609,713	106,957,916
Other outgo	4,941,561	-	-	-	-	4,941,561
Capital outlay	7,845,132	-	37,751,128	-	282,945	45,879,205
Debt service:						
Principal retirement	96,933	-	-	23,319,675	-	23,416,608
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,883,256</u>	<u>-</u>	<u>20,883,256</u>
Total expenditures	<u>925,770,789</u>	<u>389,343</u>	<u>44,572,455</u>	<u>44,202,931</u>	<u>79,418,998</u>	<u>1,094,354,516</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(9,223,339)</u>	<u>786,686</u>	<u>(9,691,222)</u>	<u>(1,550,717)</u>	<u>(501,489)</u>	<u>(20,180,081)</u>
Other financing sources (uses):						
Transfers in	7,214,742	-	39,970,673	-	4,634,148	51,819,563
Transfers out	(4,634,148)	(44,601,114)	-	-	(2,584,301)	(51,819,563)
Proceeds from issuance general obligation bonds	-	59,996,623	-	-	-	59,996,623
Debt issuance premium	<u>-</u>	<u>367,593</u>	<u>-</u>	<u>2,335,530</u>	<u>-</u>	<u>2,703,123</u>
Total other financing sources (uses)	<u>2,580,594</u>	<u>15,763,102</u>	<u>39,970,673</u>	<u>2,335,530</u>	<u>2,049,847</u>	<u>62,699,746</u>
Net change in fund balances	(6,642,745)	16,549,788	30,279,451	784,813	1,548,358	42,519,665
Fund balances, July 1, 2017	<u>155,814,837</u>	<u>64,312,959</u>	<u>17,495,549</u>	<u>159,659,824</u>	<u>24,211,322</u>	<u>421,494,491</u>
Fund balances, June 30, 2018	<u>\$ 149,172,092</u>	<u>\$ 80,862,747</u>	<u>\$ 47,775,000</u>	<u>\$ 160,444,637</u>	<u>\$ 25,759,680</u>	<u>\$ 464,014,156</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds	\$ 42,519,665
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 57,187,687
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(29,211,056)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6).	(59,996,623)
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	(2,139,016)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	23,416,608
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(10,672,108)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	253,139
Activities of the internal service fund are reported with governmental activities.	17,413,580
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	(430,328)
In governmental funds, OPEB is recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 10).	(39,002,279)

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	\$ (29,201,868)
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>412,934</u> \$ (71,969,330)
Change in net position of governmental activities	<u>\$ (29,449,665)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS

Current assets:

Cash and investments (Note 2):	
Cash in County Treasury	\$ 90,912,269
Cash on hand and in banks	2,000,000
Receivables	360,494
Due from other funds (Note 3)	114,742
Prepaid expenditures	<u>1,057,175</u>
Total current assets	<u>94,444,680</u>

LIABILITIES

Current liabilities:

Accounts payable	6,571,628
Due to other funds (Note 3)	280,166
Self insurance claims liability (Note 5)	<u>58,364,352</u>
Total current liabilities	<u>65,216,146</u>

NET POSITION

Net position - restricted for self-insurance	<u><u>\$ 29,228,534</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2018

Operating revenues:	
Self-insurance premiums	<u>\$ 173,462,879</u>
Operating expenses:	
Classified salaries	1,346,727
Employee benefits	680,411
Books and supplies	11,349
Contract services	<u>153,120,500</u>
Total operating expenses	<u>155,158,987</u>
Operating income	<u>18,303,892</u>
Non-operating revenue (expense):	
Interest income	1,109,688
OPEB expense	<u>(2,000,000)</u>
Total non-operating (expense) revenue	<u>(890,312)</u>
Change in net position	17,413,580
Net position, July 1, 2017	<u>11,814,954</u>
Net position, June 30, 2018	<u><u>\$ 29,228,534</u></u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 170,006,198
Cash received from user charges	7,134,512
Cash paid for employee benefits	(149,488,498)
Cash paid for salaries	(2,027,138)
Cash paid for other expenses	<u>(11,349)</u>
Net cash provided by operating activities	<u>25,613,725</u>
Cash flows used in noncapital financing activities:	
OPEB expense	<u>(2,000,000)</u>
Cash flows provided by investing activities:	
Interest income received	<u>957,465</u>
Increase in cash and investments	24,571,190
Cash and investments, July 1, 2017	<u>68,341,079</u>
Cash and investments, June 30, 2018	<u>\$ 92,912,269</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 18,303,892</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in:	
Amount due from other funds	3,677,831
Prepaid expenditures	(39,134)
Increase in:	
Accounts payable	1,313,145
Amount due to other funds	260,014
Unpaid claims and claim adjustment expenses	<u>2,097,977</u>
Total adjustments	<u>7,309,833</u>
Net cash provided by operating activities	<u>\$ 25,613,725</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2018

	Agency Fund Student Body
ASSETS	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 377,560
Cash on hand and in bank	1,689,431
Stores inventory	<u>60,768</u>
Total assets	<u>\$ 2,127,759</u>
LIABILITIES	
Due to student groups	<u>\$ 2,127,759</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

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

3 - County School Facilities Fund:

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

4 - Bond Interest and Redemption Fund:

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

B - Other Funds

1 - Special Revenue Funds:

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

2 - Capital Project Funds:

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

3 - Debt Service Fund:

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 - Self Insurance Fund:

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

5 - Student Body Fund:

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 188,613,374</u>	<u>\$ 66,121,632</u>	<u>\$ 254,735,006</u>
Deferred inflows of resources	<u>\$ 56,348,000</u>	<u>\$ 7,809,000</u>	<u>\$ 64,157,000</u>
Net pension liability	<u>\$ 613,982,000</u>	<u>\$ 208,394,000</u>	<u>\$ 822,376,000</u>
Pension expense	<u>\$ 101,502,250</u>	<u>\$ 37,806,727</u>	<u>\$ 139,308,977</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$2,582,352 is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2018, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances. At June 30, 2018, the District had assigned a portion of the fund balance for the General Fund.

E - Unassigned Fund Balance:

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

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

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

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

New Accounting Pronouncement: In June 2015, the Government Accounting Standards Board (GASB) issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated by \$559,534,914 because of the recognition of the net OPEB and related deferred outflows of resources.

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2018 consisted of the following:

	Governmental Activities			Fiduciary
	Governmental Funds	Proprietary Fund	Total	Agency Fund
Pooled Funds:				
Cash in County Treasury	\$ 407,378,511	\$ 90,912,269	\$ 498,290,780	\$ 377,560
Deposits:				
Cash on hand and in banks	6,130,364	2,000,000	8,130,364	1,689,431
Cash in revolving fund	84,215	-	84,215	-
Collections awaiting deposits	26,903	-	26,903	-
Total deposits	6,241,482	2,000,000	8,241,482	1,689,431
Investments	120,839,434	-	120,839,434	-
Total cash and investments	\$ 534,459,427	\$ 92,912,269	\$ 627,371,696	\$ 2,066,991

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts was \$9,873,559 and the bank balances were \$11,134,621. The total uninsured bank balance at June 30, 2018 was \$9,846,655.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2018, the carrying amount of the District's accounts was \$57,354 and the bank balance was \$57,506, all of which was insured.

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

	<u>Rating</u>	<u>2018</u>
Investments:		
U.S. Treasury Notes	Aaa	\$ 120,392,552
Foreign Issues	N/A	<u>446,882</u>
Total investments		<u>\$ 120,839,434</u>

Investment security ratings reported as of June 30, 2018 are defined by Moody's.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2018, and indicates the fair value hierarchy of the valuation techniques utilized by the District to determine such fair value based on the hierarchy:

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

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

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

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

<u>Description</u>	2018			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes	\$ 120,392,552	\$ -	\$ 120,392,552	\$ -
Foreign Issues	446,882	-	446,882	-
	<u>\$ 120,839,434</u>	<u>\$ -</u>	<u>\$ 120,839,434</u>	<u>\$ -</u>

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

The District had no non-recurring assets and no liabilities at June 30, 2018 which were required to be disclosed using the fair value hierarchy.

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

Maturities of investments held at June 30, 2018 consist of the following:

	Maturity			
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year through Five Years</u>	<u>Six Years through Ten Years</u>
Investment securities:				
U.S. Treasury Notes	\$ 120,392,552	\$ 1,963,128	\$ 118,429,424	\$ -
Foreign Issues	446,882	-	446,882	-
Total	<u>\$ 120,839,434</u>	<u>\$ 1,963,128</u>	<u>\$ 118,876,306</u>	<u>\$ -</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Credit Risk: The District's investment policy limits investment choices to obligations of the United States Treasury, sweep accounts and trustee banks and guaranteed investment contracts. At June 30, 2018, all investments represented U.S. Treasury Notes and Foreign Issue Notes which were issued, registered and held by the Escrow Agent.

Concentration of Investment Credit Risk: At June 30, 2018, the District had \$120,392,552 in U.S. Treasury Notes that represented more than five percent of the District's total investments.

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

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

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

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2018 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 5,756,592	\$ -
Building	-	21,403,973
County School Facilities	20,905,026	450,364
Non-Major Funds:		
Adult Education	28,412	1,551,677
Child Development	39,153	613,098
Cafeteria	-	3,358,511
Deferred Maintenance	575,428	-
Capital Facilities	-	105,921
Special Reserve for Capital Outlay Projects	344,357	-
Proprietary Fund:		
Self-Insurance	<u>114,742</u>	<u>280,166</u>
Total	<u>\$ 27,763,710</u>	<u>\$ 27,763,710</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 39,970,673
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation as received in the General Fund.	4,630,441
Transfer from the Building Fund to the General Fund to contribute to Restricted Routine Maintenance.	4,630,441
Transfer from the Cafeteria Fund to the General Fund for indirect cost.	1,786,885
Transfer from Child Development Fund to the General Fund for indirect costs.	530,764
Transfer from Adult Education Fund to the General Fund for indirect costs.	227,187
Transfer from Capital Facilities Fund to the General Fund for indirect costs.	39,465
Transfer from the General Fund to the Tax Override Fund for tax adjustments.	<u>3,707</u>
	<u>\$ 51,819,563</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2018</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 64,805,162	\$ 9,849	\$ -	\$ 64,815,011
Work-in-process	81,813,842	51,518,493	69,236,085	64,096,250
Depreciable:				
Land improvements	86,604,940	684,979	-	87,289,919
Buildings	905,313,865	68,541,258	986,397	972,868,726
Equipment	<u>30,848,892</u>	<u>5,669,193</u>	<u>-</u>	<u>36,518,085</u>
Totals, at cost	<u>1,169,386,701</u>	<u>126,423,772</u>	<u>70,222,482</u>	<u>1,225,587,991</u>
Less accumulated depreciation:				
Land improvements	(40,967,702)	(3,879,981)	-	(44,847,683)
Buildings	(321,504,276)	(23,406,178)	(986,397)	(343,924,057)
Equipment	<u>(21,848,085)</u>	<u>(1,924,897)</u>	<u>-</u>	<u>(23,772,982)</u>
Total accumulated depreciation	<u>(384,320,063)</u>	<u>(29,211,056)</u>	<u>(986,397)</u>	<u>(412,544,722)</u>
Governmental activities capital assets, net	<u>\$ 785,066,638</u>	<u>\$ 97,212,716</u>	<u>\$ 69,236,085</u>	<u>\$ 813,043,269</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2018 as follows:

Governmental activities:	
Unallocated	<u>\$ 29,211,056</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2018, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$350,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of \$1,389,324 is based on an actuarial projected estimate at June 30, 2018, discounted at 0.5%. The workers' compensation claims liability of \$37,743,529 is based on an actuarial projected estimate at June 30, 2018, discounted at 1.5%. The health claims liability of \$19,231,499 is based on an actuarial projected estimate at June 30, 2018, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the claims liability for the years ended June 30, 2018 and 2017 were as follows:

	Property and <u>Liability</u>	Workers' Compen- sation	<u>Health</u>	<u>Total</u>
Claims liability at June 30, 2016	\$ 913,242	\$ 37,664,807	\$ 17,805,153	\$ 56,383,202
Incurred claims	3,724,793	3,113,715	146,221,395	153,059,903
Paid claims	<u>(3,314,869)</u>	<u>(4,628,189)</u>	<u>(145,233,672)</u>	<u>(153,176,730)</u>
Claims liability at June 30, 2017	<u>1,323,166</u>	<u>36,150,333</u>	<u>18,792,876</u>	<u>56,266,375</u>
Incurred claims	4,177,426	8,419,278	138,645,098	151,241,802
Paid claims	<u>(4,111,268)</u>	<u>(6,826,082)</u>	<u>(138,206,475)</u>	<u>(149,143,825)</u>
Claims liability at June 30, 2018	<u>\$ 1,389,324</u>	<u>\$ 37,743,529</u>	<u>\$ 19,231,499</u>	<u>\$ 58,364,352</u>

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds

Issue	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
1999 Series C	4.5 - 5.125%	1999	2023	\$ 40,640,000	\$ 14,580,000	\$ -	\$ 2,445,000	\$ 12,135,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	38,630,000	-	3,545,000	35,085,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	31,740,000	-	2,675,000	29,065,000
2001 Series F	5.48%	2009	2026	29,429,022	20,704,214	-	1,844,675	18,859,539
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	7,805,000	-	1,280,000	6,525,000
2010 Measure Q Series A	4.726 - 5.876%	2011	2030	29,561,373	28,861,373	-	-	28,861,373
2001 Measure K Series G	5.39 - 11.814%	2011	2042	55,570,915	55,570,915	-	-	55,570,915
2010 Measure Q Series B	2.0 - 5.25%	2011	2042	50,434,849	43,289,849	-	210,000	43,079,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	35,710,000	-	2,095,000	33,615,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	19,715,000	-	3,995,000	15,720,000
2010 Measure Q Series C	2% - 5.5%	2012	2047	54,997,540	45,105,385	-	-	45,105,385
2010 Measure Q Series D	3.56% - 5.11%	2014	2048	59,996,789	54,306,789	-	-	54,306,789
2015 GO Refunding Bonds	2.0% - 5.0%	2015	2031	14,555,000	13,695,000	-	610,000	13,085,000
2010 Series E Current Interest	2.0% - 5.0%	2015	2046	49,565,000	44,885,000	-	500,000	44,385,000
2010 Series E Capital Appreciation	2.0% - 5.0%	2015	2032	5,433,095	5,433,095	-	-	5,433,095
2016 GO Refunding Series A	3.13% - 3.6%	2016	2042	60,480,000	60,480,000	-	-	60,480,000
2010 Series F	2.0% - 4.0%	2016	2042	30,010,000	30,010,000	-	4,120,000	25,890,000
2016 GO Refunding Series B	4.0% - 5.0%	2016	2047	59,590,988	59,590,988	-	-	59,590,988
2016 Series A Current Interest	2.0% - 5.0%	2018	2044	38,500,000	-	38,500,000	-	38,500,000
2016 Series A Capital Appreciation	2.0% - 5.0%	2018	2038	21,496,623	-	21,496,623	-	21,496,623
				<u>\$ 807,111,194</u>	<u>\$ 610,112,608</u>	<u>\$ 59,996,623</u>	<u>\$ 23,319,675</u>	<u>\$ 646,789,556</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,590,000	\$ 697,380	\$ 3,287,380
2020	2,740,000	543,242	3,283,242
2021	2,910,000	380,255	3,290,255
2022	3,075,000	207,090	3,282,090
2023	<u>820,000</u>	<u>24,190</u>	<u>844,190</u>
	<u>\$ 12,135,000</u>	<u>\$ 1,852,157</u>	<u>\$ 13,987,157</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,810,000	\$ 2,095,200	\$ 5,905,200
2020	4,060,000	1,866,300	5,926,300
2021	4,305,000	1,622,100	5,927,100
2022	4,580,000	1,363,200	5,943,200
2023	4,880,000	1,087,800	5,967,800
2024-2027	<u>13,450,000</u>	<u>1,436,400</u>	<u>14,886,400</u>
	<u>\$ 35,085,000</u>	<u>\$ 9,471,000</u>	<u>\$ 44,556,000</u>

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,815,000	\$ 1,480,926	\$ 4,295,926
2020	2,960,000	1,339,926	4,299,926
2021	3,120,000	1,191,676	4,311,676
2022	3,275,000	1,035,426	4,310,426
2023	3,425,000	871,426	4,296,426
2024-2028	<u>13,470,000</u>	<u>1,622,249</u>	<u>15,092,249</u>
	<u>\$ 29,065,000</u>	<u>\$ 7,541,629</u>	<u>\$ 36,606,629</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,944,234	\$ 980,588	\$ 2,924,822
2020	2,049,242	871,127	2,920,369
2021	2,160,006	755,752	2,915,758
2022	2,276,840	634,138	2,910,978
2023	2,400,086	505,943	2,906,029
2024-2026	<u>8,029,131</u>	<u>676,778</u>	<u>8,705,909</u>
	<u>\$ 18,859,539</u>	<u>\$ 4,424,326</u>	<u>\$ 23,283,865</u>

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a premium of \$789,371 which will be amortized over 20 years. The annual payments required to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,310,000	\$ 202,825	\$ 1,512,825
2020	1,345,000	161,125	1,506,125
2021	1,385,000	120,175	1,505,175
2022	1,420,000	71,000	1,491,000
2023	<u>1,065,000</u>	<u>21,300</u>	<u>1,086,300</u>
	<u>\$ 6,525,000</u>	<u>\$ 576,425</u>	<u>\$ 7,101,425</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,154,455	\$ 1,154,455
2020	-	1,154,455	1,154,455
2021	-	1,154,455	1,154,455
2022	-	1,154,455	1,154,455
2023	2,246,998	1,109,515	3,356,513
2024-2028	17,094,637	3,774,141	20,868,778
2029-2030	<u>9,519,738</u>	<u>385,004</u>	<u>9,904,742</u>
	<u>\$ 28,861,373</u>	<u>\$ 9,886,480</u>	<u>\$ 38,747,853</u>

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 50,648	\$ 50,648
2022	48,704	388,145	436,849
2023	275,006	558,909	833,915
2024-2028	7,084,199	13,596,009	20,680,208
2029-2033	17,855,236	48,794,956	66,650,192
2034-2038	18,001,788	76,161,788	94,163,576
2039-2042	<u>12,305,982</u>	<u>65,336,821</u>	<u>77,642,803</u>
	<u>\$ 55,570,915</u>	<u>\$ 204,887,276</u>	<u>\$ 260,458,191</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 685,000	\$ 798,550	\$ 1,483,550
2020	1,190,000	761,050	1,951,050
2021	2,310,000	691,050	3,001,050
2022	3,585,000	573,150	4,158,150
2023	3,015,000	426,075	3,441,075
2024-2027	<u>9,824,116</u>	<u>4,746,296</u>	<u>14,570,412</u>
	<u>\$ 20,609,116</u>	<u>\$ 7,996,171</u>	<u>\$ 28,605,287</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028	\$ 1,406,246	\$ 2,433,754	\$ 3,840,000
2029-2033	8,103,297	20,641,703	28,745,000
2034-2038	7,695,838	31,721,684	39,417,522
2039-2042	<u>5,265,352</u>	<u>31,640,168</u>	<u>36,905,520</u>
	<u>\$ 22,470,733</u>	<u>\$ 86,437,309</u>	<u>\$ 108,908,042</u>

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,180,000	\$ 1,315,269	\$ 3,495,269
2020	2,285,000	1,217,531	3,502,531
2021	2,365,000	1,112,906	3,477,906
2022	1,690,000	1,021,669	2,711,669
2023	1,775,000	943,706	2,718,706
2024-2028	16,555,000	3,013,376	19,568,376
2029-2031	<u>6,765,000</u>	<u>386,157</u>	<u>7,151,157</u>
	<u>\$ 33,615,000</u>	<u>\$ 9,010,614</u>	<u>\$ 42,625,614</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,750,000	\$ 410,355	\$ 5,160,355
2020	4,890,000	276,775	5,166,775
2021	3,750,000	142,487	3,892,487
2022	<u>2,330,000</u>	<u>40,775</u>	<u>2,370,775</u>
	<u>\$ 15,720,000</u>	<u>\$ 870,392</u>	<u>\$ 16,590,392</u>

The annual payments required to amortize the 2010 Measure Q, Series C, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,707,200	\$ 1,707,200
2020	-	1,707,200	1,707,200
2021	-	1,707,200	1,707,200
2022	-	1,707,200	1,707,200
2023	-	1,707,200	1,707,200
2024-2028	-	8,536,000	8,536,000
2029-2033	2,387,475	13,443,525	15,831,000
2034-2038	3,724,528	20,126,471	23,850,999
2039-2043	4,433,193	31,958,423	36,391,616
2044-2047	<u>34,560,189</u>	<u>29,478,663</u>	<u>64,038,852</u>
	<u>\$ 45,105,385</u>	<u>\$ 112,079,082</u>	<u>\$ 157,184,467</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 GO Bond Series D, outstanding as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,897,400	\$ 1,897,400
2020	-	1,897,400	1,897,400
2021	-	1,897,400	1,897,400
2022	-	1,897,400	1,897,400
2023	-	1,897,400	1,897,400
2024-2028	-	9,487,000	9,487,000
2029-2033	2,775,509	12,816,491	15,592,000
2034-2038	4,717,024	17,939,976	22,657,000
2039-2043	9,509,256	13,534,469	23,043,725
2044-2048	<u>37,305,000</u>	<u>5,308,625</u>	<u>42,613,625</u>
	<u>\$ 54,306,789</u>	<u>\$ 68,573,561</u>	<u>\$ 122,880,350</u>

The annual payments required to amortize the 2015 Refunding General Obligation Bonds, outstanding as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 635,000	\$ 424,250	\$ 1,059,250
2020	655,000	405,200	1,060,200
2021	660,000	379,000	1,039,000
2022	685,000	352,600	1,037,600
2023	735,000	338,900	1,073,900
2024-2028	4,630,000	1,183,450	5,813,450
2029-2031	<u>5,085,000</u>	<u>321,313</u>	<u>5,406,313</u>
	<u>\$ 13,085,000</u>	<u>\$ 3,404,713</u>	<u>\$ 16,489,713</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 Series E, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 330,000	\$ 1,831,944	\$ 2,161,944
2020	1,065,000	1,825,344	2,890,344
2021	1,775,000	1,772,094	3,547,094
2022	1,380,000	1,683,344	3,063,344
2023	-	1,614,344	1,614,344
2024-2028	-	8,071,719	8,071,719
2029-2033	1,010,000	8,071,719	9,081,719
2034-2038	7,065,000	7,414,131	14,479,131
2039-2043	15,775,000	5,546,406	21,321,406
2044-2046	<u>15,985,000</u>	<u>1,349,081</u>	<u>17,334,081</u>
	<u>\$ 44,385,000</u>	<u>\$ 39,180,126</u>	<u>\$ 83,565,126</u>

The annual payments required to amortize the 2010 Series E, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2028	\$ 2,799,707	\$ 1,265,293	\$ 4,065,000
2029-2032	<u>2,633,388</u>	<u>2,186,612</u>	<u>4,820,000</u>
	<u>\$ 5,433,095</u>	<u>\$ 3,451,905</u>	<u>\$ 8,885,000</u>

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2016 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 2,475,850	\$ 2,475,850
2020	-	2,475,850	2,475,850
2021	-	2,475,850	2,475,850
2022	-	2,475,850	2,475,850
2023	-	2,475,850	2,475,850
2024-2028	-	12,379,250	12,379,250
2029-2033	9,075,000	11,754,175	20,829,175
2034-2038	23,375,000	8,124,900	31,499,900
2039-2042	<u>28,030,000</u>	<u>2,361,000</u>	<u>30,391,000</u>
	<u>\$ 60,480,000</u>	<u>\$ 46,998,575</u>	<u>\$ 107,478,575</u>

The annual payments required to amortize the 2010 Election of 2010, Series F, outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 840,050	\$ 840,050
2020	-	840,050	840,050
2021	-	840,050	840,050
2022	-	840,050	840,050
2023	-	840,050	840,050
2024-2028	-	4,200,250	4,200,250
2029-2033	4,940,000	3,946,300	8,886,300
2034-2038	10,020,000	2,463,925	12,483,925
2039-2042	<u>10,930,000</u>	<u>696,750</u>	<u>11,626,750</u>
	<u>\$ 25,890,000</u>	<u>\$ 15,507,475</u>	<u>\$ 41,397,475</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2016 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,649,600	\$ 1,649,600
2020	-	1,649,600	1,649,600
2021	-	1,649,600	1,649,600
2022	-	1,649,600	1,649,600
2023	-	1,649,600	1,649,600
2024-2028	-	8,248,000	8,248,000
2029-2033	1,580,083	9,207,917	10,788,000
2034-2038	3,853,511	11,784,489	15,638,000
2039-2043	8,294,265	19,863,735	28,158,000
2044-2047	<u>45,863,129</u>	<u>11,620,271</u>	<u>57,483,400</u>
	<u>\$ 59,590,988</u>	<u>\$ 68,972,412</u>	<u>\$ 128,563,400</u>

The annual payments required to amortize the 2016 Series A, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,450,000	\$ 271,670	\$ 6,721,670
2020	-	1,474,300	1,474,300
2021	-	1,474,300	1,474,300
2022	-	1,474,300	1,474,300
2023	-	1,474,300	1,474,300
2024-2028	-	7,371,500	7,371,500
2029-2033	-	7,371,500	7,371,500
2034-2038	-	7,371,500	7,371,500
2039-2043	25,400,000	5,076,000	30,476,000
2044	<u>6,650,000</u>	<u>266,000</u>	<u>6,916,000</u>
	<u>\$ 38,500,000</u>	<u>\$ 33,625,370</u>	<u>\$ 72,125,370</u>

The annual payments required to amortize the 2016 Series A, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-2028	\$ 1,973,747	\$ 676,253	\$ 2,650,000
2029-2033	9,882,524	5,642,476	\$ 15,525,000
2034-2038	<u>9,640,352</u>	<u>10,169,648</u>	<u>19,810,000</u>
	<u>\$ 21,496,623</u>	<u>\$ 16,488,377</u>	<u>\$ 37,985,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Annual Payments
2019	\$ 90,216
2020	90,216
2021	51,804
2022	<u>1,155</u>
Total payments remaining	<u>\$ 233,391</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018 is shown below:

<u>Governmental Activities</u>	<u>Balance July 1, 2017 as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 610,112,608	\$ 59,996,623	\$ 23,319,675	\$ 646,789,556	\$ 27,499,234
Unamortized premiums	16,139,339	2,703,123	564,107	18,278,355	633,071
Accreted interest	40,074,237	10,672,108	-	50,746,345	-
PG&E energy savings loans	330,324	-	96,933	233,391	90,216
Net OPEB liability (Note 10)	943,069,772	39,021,469	-	982,091,241	-
Net pension liability (Notes 8 and 9)	730,543,000	91,833,000	-	822,376,000	-
Compensated absences	<u>2,995,286</u>	<u>-</u>	<u>412,934</u>	<u>2,582,352</u>	<u>-</u>
Totals	<u>\$ 2,343,264,566</u>	<u>\$ 204,226,323</u>	<u>\$ 24,393,649</u>	<u>\$ 2,523,097,240</u>	<u>\$ 28,222,521</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 84,215	\$ -	\$ -	\$ -	\$ -	\$ 84,215
Prepaid expenditures	374,792	-	-	-	1,249	376,041
Stores inventory	<u>1,613,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,044,023</u>	<u>2,657,228</u>
Subtotal nonspendable	<u>2,072,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,045,272</u>	<u>3,117,484</u>
Restricted:						
Legally restricted programs	16,875,619	-	-	-	19,123,446	35,999,065
Capital projects	-	80,862,747	47,775,000	-	5,590,962	134,228,709
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,444,637</u>	<u>-</u>	<u>160,444,637</u>
Subtotal restricted	<u>16,875,619</u>	<u>80,862,747</u>	<u>47,775,000</u>	<u>160,444,637</u>	<u>24,714,408</u>	<u>330,672,411</u>
Assigned:						
Textbook Adoption	11,324,955	-	-	-	-	11,324,955
High School Pools	10,031,705	-	-	-	-	10,031,705
CTE Facility	6,000,000	-	-	-	-	6,000,000
Design Science Facility	6,000,000	-	-	-	-	6,000,000
School Supports	4,722,000	-	-	-	-	4,722,000
Portables	3,315,514	-	-	-	-	3,315,514
Early Learning Restrooms	1,098,752	-	-	-	-	1,098,752
Ongoing Routine Maintenance	1,000,000	-	-	-	-	1,000,000
Fresno High CTE Facility	1,000,000	-	-	-	-	1,000,000
Other assignments	<u>3,158,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,158,968</u>
Subtotal assigned	<u>47,651,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,651,894</u>
Unassigned:						
Designated for economic uncertainty	<u>82,572,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,572,367</u>
Total fund balances	<u>\$ 149,172,092</u>	<u>\$ 80,862,747</u>	<u>\$ 47,775,000</u>	<u>\$ 160,444,637</u>	<u>\$ 25,759,680</u>	<u>\$ 464,014,156</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

CalSTRS 2% at 62

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-2018. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-2018.

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

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-2018 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

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

The District contributed \$54,886,374 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-2018 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

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

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 613,982,000
State's proportionate share of the net pension liability associated with the District	<u>363,228,000</u>
Total	<u>\$ 977,210,000</u>

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2017, the District's proportion was 0.664 percent, which was a decrease of 0.015 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$101,502,250 and revenue of \$36,097,102 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,271,000	\$ 10,709,000
Changes of assumptions	113,747,000	-
Net differences between projected and actual earnings on investments	-	16,352,000
Changes in proportion and differences between District contributions and proportionate share of contributions	17,709,000	29,287,000
Contributions made subsequent to measurement date	<u>54,886,374</u>	<u>-</u>
Total	<u>\$ 188,613,374</u>	<u>\$ 56,348,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

\$54,886,374 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 2,639,617
2020	\$ 26,525,617
2021	\$ 17,721,617
2022	\$ 1,709,283
2023	\$ 13,054,033
2024	\$ 15,728,833

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

* 20-year geometric average

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$901,521,000</u>	<u>\$613,982,000</u>	<u>\$380,625,000</u>

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

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

General Information about the Public Employer's Retirement Fund B

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

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

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.5 or 7.5 percent of applicable member earnings for fiscal year 2017-2018.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$19,123,632 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$208,394,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2017, the District's proportion was 0.873 percent, which was an decrease of 0.046 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$37,806,727. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 7,466,000	\$ -
Changes of assumptions	30,439,000	2,454,000
Net differences between projected and actual earnings on investments	7,209,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,884,000	5,355,000
Contributions made subsequent to measurement date	<u>19,123,632</u>	<u>-</u>
Total	<u>\$ 66,121,632</u>	<u>\$ 7,809,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

\$19,123,632 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 11,405,167
2020	\$ 19,195,167
2021	\$ 12,536,167
2022	\$ (3,947,501)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10 (1)</u>	<u>Expected Real Rate of Return Years 11+(2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 306,614,000</u>	<u>\$ 208,394,000</u>	<u>\$ 126,912,000</u>

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

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

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board.

Contributions to the Plan from the District were \$35,959,314 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return 1 Year</u>	<u>Expected Real Rate of Return 3 Year</u>
Global Equity	49%	19.5%	5.2%
Fixed Income	39	0.3	4.3
Treasury Inflation-Protected Securities	10	(0.6)	0.5
Real Estate	8	0.0	3.8
Commodities	3%	(8.9)	(24.8)

*Geometric average

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Money-weighted rate of return on OPEB plan investments 6.0%

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

Actuarial Assumptions: The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	July 1, 2017
<u>Fiscal Year End</u>	June 30
<u>Pre-Retirement Mortality Rate</u>	Male - RP 2014 Male, without projection Female - RP 2014 Female, without projection
<u>Post-Retirement Mortality Rate</u>	Male - RP 2014 Male Health Annuitant Mortality Table, without projection Female - RP 2014 Female Health Annuitant Mortality Table, without projection
<u>Discount Rate as of 6/30/2018</u>	6.0%. Based on the long-term expected rate of return
<u>Assumed Investment Return</u>	6.0%
<u>Retirement Rate</u>	Retirement rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010)
<u>Healthcare cost trend rate</u>	5.0% for 2018 and later years
<u>Salary Increases</u>	3% per year
<u>Termination Rate</u>	Termination rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010).

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Percent of Retirees with Spouses</u>	Future Retirees: Under age 65: 67% Age 65 and over: 50%
<u>Percent of Retirees with Eligible Dependents</u>	Future Retirees: Under age 65: In proportion to current retirees Age 65 and over: In proportion to current retirees Current Retirees: Actual dependent data was used
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2017	\$ 979,428,598	\$ 36,358,826	\$ 943,069,772
Changes for the year:			
Service cost	19,392,480	-	19,392,480
Interest	57,806,121	-	57,806,121
Plan member contributions	-	-	-
Employer contributions	-	35,959,314	(35,959,314)
Net investment income	-	2,250,968	(2,250,968)
Investment gains	-	-	-
Administrative expense	-	(33,150)	33,150
Benefit payments	<u>(32,459,314)</u>	<u>(32,459,314)</u>	<u>-</u>
Net change	44,739,287	5,717,818	39,021,469
Balance, June 30, 2018	<u>\$1,024,167,885</u>	<u>\$ 42,076,644</u>	<u>\$ 982,091,241</u>

Fiduciary Net Position as a % of the Total OPEB Liability, at June 30, 2018: 4.11%

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

	Discount Rate 1% Lower (5.0%)	Valuation Discount Rate (6.0%)	Discount Rate 1% Higher (7.0%)
Net OPEB liability	<u>\$ 1,132,198,889</u>	<u>\$ 982,091,241</u>	<u>\$ 859,169,806</u>

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

	Health Care Trend Rate 1% Lower (5.0% - 4.0%)	Valuation Health Care Trend Rate (6.0 - 5.0%)	Health Care Trend Rate 1% Higher (7.0 - 6.0%)
Net OPEB liability	<u>\$ 842,323,863</u>	<u>\$ 982,091,241</u>	<u>\$ 1,155,202,934</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$74,961,593. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	19,190	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 19,190</u>	<u>\$ -</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Years Ended June 30,			
2019	\$		4,797
2020	\$		4,797
2021	\$		4,797
2022	\$		4,799

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

NOTE 11 - JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2017 (the most recent information available):

Total assets	\$	8,803,078
Deferred outflows of resources	\$	17,457,777
Total liabilities	\$	96,554,247
Net position	\$	1,211,408
Total revenues	\$	4,567,640
Total expenses	\$	4,117,312

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

NOTE 12 - CONTINGENCIES

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

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

Construction Commitments: As of June 30, 2018, the District has \$34.9 million in outstanding commitments on construction contracts.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - FINANCIAL RESPONSIBILITY

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

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

The District continues to maintain a positive reserve in the current and future years as shown in the 2017/18 adopted budget and includes a conservative reserve to plan for the implementation of the Local Control Funding Formula. The District has maintained a positive financial position since 2006/07 as reflected by Moody's continued affirmation of the District's credit rating of Aa3 since 2010 during a time when other agencies have been lowered.

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

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$641,499,535	\$633,571,190	\$633,401,610	\$ (169,580)
Local sources	<u>57,548,591</u>	<u>65,050,010</u>	<u>65,050,010</u>	<u>-</u>
Total LCFF	<u>699,048,126</u>	<u>698,621,200</u>	<u>698,451,620</u>	<u>(169,580)</u>
Federal sources	81,941,706	93,347,578	78,071,064	(15,276,514)
Other state sources	100,846,156	120,515,543	122,767,981	2,252,438
Other local sources	<u>12,555,310</u>	<u>15,364,474</u>	<u>17,256,785</u>	<u>1,892,311</u>
Total revenues	<u>894,391,298</u>	<u>927,848,795</u>	<u>916,547,450</u>	<u>(11,301,345)</u>
Expenditures:				
Current:				
Certificated salaries	387,378,834	397,008,317	396,076,932	931,385
Classified salaries	118,385,205	125,306,401	124,861,726	444,675
Employee benefits	239,592,403	247,069,121	244,126,633	2,942,488
Books and supplies	54,066,363	73,242,549	56,461,712	16,780,837
Contract services and operating expenditures	97,075,900	112,491,523	91,360,160	21,131,363
Other outgo	2,572,852	3,563,436	4,941,561	(1,378,125)
Capital outlay	28,411,443	35,243,612	7,845,132	27,398,480
Debt service:				
Principal retirement	<u>96,933</u>	<u>96,933</u>	<u>96,933</u>	<u>-</u>
Total expenditures	<u>927,579,933</u>	<u>994,021,892</u>	<u>925,770,789</u>	<u>68,251,103</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(33,188,635)</u>	<u>(66,173,097)</u>	<u>(9,223,339)</u>	<u>56,949,758</u>
Other financing sources (uses):				
Transfers in	5,901,316	6,126,306	7,214,742	1,088,436
Transfers out	<u>(4,856,409)</u>	<u>(4,856,409)</u>	<u>(4,634,148)</u>	<u>222,261</u>
Total other financing uses	<u>1,044,907</u>	<u>1,269,897</u>	<u>2,580,594</u>	<u>1,310,697</u>
Net change in fund balance	(32,143,728)	(64,903,200)	(6,642,745)	58,260,455
Fund balance, July 1, 2017	<u>155,814,837</u>	<u>155,814,837</u>	<u>155,814,837</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$123,671,109</u>	<u>\$ 90,911,637</u>	<u>\$149,172,092</u>	<u>\$ 58,260,455</u>

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018

	Last 10 Fiscal Years
	<u>2018</u>
Total OPEB liability	
Service Cost	\$ 19,392,480
Interest	57,806,121
Benefit payments	<u>(32,459,314)</u>
Net change in total OPEB liability	44,739,287
Total OPEB liability, beginning of year	<u>979,428,598</u>
Total OPEB liability, end of year (a)	<u><u>\$1,024,167,885</u></u>
Plan fiduciary net position	
Employer contributions	\$ 35,959,314
Expected interest income	2,250,968
Administrative expense	(33,150)
Benefits payment	<u>(32,459,314)</u>
Change in plan fiduciary net position	5,717,818
Fiduciary trust net position, beginning of year	<u>36,358,826</u>
Fiduciary trust net position, end of year (b)	<u><u>\$ 42,076,644</u></u>
Net OPEB liability, ending (a) - (b)	<u><u>\$ 982,091,241</u></u>
Covered-employee payroll	\$ 550,120,072
Plan fiduciary net position as a percentage of the total OPEB liability %	4.11%
Net OPEB liability as a percentage of covered-employee payroll%	178.52%

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

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN OF OPEB PLAN INVESTMENTS
For the Year Ended June 30, 2018

Last 10 Fiscal Years

	<u>2018</u>
Money-weighted rate of return on OPEB plan investments	6.0%

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

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

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

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

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

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

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

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

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

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

E - Schedule of District Contributions

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

F - Changes of Benefit Terms

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

G - Changes of Assumptions

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

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

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

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2018

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Capital Facilities Fund	Reserve for Capital Outlay Projects Fund	Tax Override Fund	Total
ASSETS								
Cash in County Treasury	\$ 1,027,080	\$ 343,673	\$ 9,175,378	\$ 943,136	\$ 772,925	\$ 4,675,965	\$ -	\$ 16,938,157
Cash on hand and in banks	3,181	-	6,030,569	-	-	-	-	6,033,750
Cash collections awaiting deposit	-	-	-	-	26,903	-	-	26,903
Receivables	1,340,103	260,684	7,888,978	3,565	5,246	22,572	-	9,521,148
Prepaid expenditures	1,249	-	-	-	-	-	-	1,249
Due from other funds	28,412	39,153	-	575,428	-	344,357	-	987,350
Stores inventory	-	-	1,044,023	-	-	-	-	1,044,023
Total assets	<u>\$ 2,400,025</u>	<u>\$ 643,510</u>	<u>\$ 24,138,948</u>	<u>\$ 1,522,129</u>	<u>\$ 805,074</u>	<u>\$ 5,042,894</u>	<u>\$ -</u>	<u>\$ 34,552,580</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 238,407	\$ 30,412	\$ 1,217,032	\$ 1,522,129	\$ 148,210	\$ 2,875	\$ -	\$ 3,159,065
Unearned revenue	4,628	-	-	-	-	-	-	4,628
Due to other funds	1,551,677	613,098	3,358,511	-	105,921	-	-	5,629,207
Total liabilities	<u>1,794,712</u>	<u>643,510</u>	<u>4,575,543</u>	<u>1,522,129</u>	<u>254,131</u>	<u>2,875</u>	<u>-</u>	<u>8,792,900</u>
Fund balances:								
Nonspendable	1,249	-	1,044,023	-	-	-	-	1,045,272
Restricted	604,064	-	18,519,382	-	550,943	5,040,019	-	24,714,408
Total fund balances	<u>605,313</u>	<u>-</u>	<u>19,563,405</u>	<u>-</u>	<u>550,943</u>	<u>5,040,019</u>	<u>-</u>	<u>25,759,680</u>
Total liabilities and fund balances	<u>\$ 2,400,025</u>	<u>\$ 643,510</u>	<u>\$ 24,138,948</u>	<u>\$ 1,522,129</u>	<u>\$ 805,074</u>	<u>\$ 5,042,894</u>	<u>\$ -</u>	<u>\$ 34,552,580</u>

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2018

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Capital Facilities Fund	Reserve for Capital Outlay Projects Fund	Tax Override Fund	Total
Revenues:								
Federal sources	\$ 1,178,570	\$ 413,814	\$ 48,944,725	\$ -	\$ -	\$ -	\$ -	\$ 50,537,109
Other state sources	6,116,713	14,904,455	3,567,512	-	-	-	-	24,588,680
Other local sources	<u>1,113,522</u>	<u>238,673</u>	<u>1,016,976</u>	<u>5,200</u>	<u>1,334,443</u>	<u>86,613</u>	<u>(3,707)</u>	<u>3,791,720</u>
Total revenues	<u>8,408,805</u>	<u>15,556,942</u>	<u>53,529,213</u>	<u>5,200</u>	<u>1,334,443</u>	<u>86,613</u>	<u>(3,707)</u>	<u>78,917,509</u>
Expenditures:								
Current:								
Certificated salaries	3,018,739	5,742,899	-	-	-	-	-	8,761,638
Classified salaries	1,547,124	3,592,454	13,177,391	-	51,326	198,968	-	18,567,263
Employee benefits	2,175,205	5,171,992	9,165,915	-	25,519	79,773	-	16,618,404
Books and supplies	742,328	285,474	23,039,226	470,924	41,083	-	-	24,579,035
Contract services and operating expenditures	1,164,473	233,359	3,042,548	4,164,717	1,930,682	73,934	-	10,609,713
Capital outlay	<u>5,916</u>	<u>-</u>	<u>277,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,945</u>
Total expenditures	<u>8,653,785</u>	<u>15,026,178</u>	<u>48,702,109</u>	<u>4,635,641</u>	<u>2,048,610</u>	<u>352,675</u>	<u>-</u>	<u>79,418,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(244,980)</u>	<u>530,764</u>	<u>4,827,104</u>	<u>(4,630,441)</u>	<u>(714,167)</u>	<u>(266,062)</u>	<u>(3,707)</u>	<u>(501,489)</u>
Other financing sources (uses):								
Transfers in	-	-	-	4,630,441	-	-	3,707	4,634,148
Transfers out	<u>(227,187)</u>	<u>(530,764)</u>	<u>(1,786,885)</u>	<u>-</u>	<u>(39,465)</u>	<u>-</u>	<u>-</u>	<u>(2,584,301)</u>
Total other financing sources (uses)	<u>(227,187)</u>	<u>(530,764)</u>	<u>(1,786,885)</u>	<u>4,630,441</u>	<u>(39,465)</u>	<u>-</u>	<u>3,707</u>	<u>2,049,847</u>
Net change in fund balances	(472,167)	-	3,040,219	-	(753,632)	(266,062)	-	1,548,358
Fund balances, July 1, 2017	<u>1,077,480</u>	<u>-</u>	<u>16,523,186</u>	<u>-</u>	<u>1,304,575</u>	<u>5,306,081</u>	<u>-</u>	<u>24,211,322</u>
Fund balances, June 30, 2018	<u>\$ 605,313</u>	<u>\$ -</u>	<u>\$ 19,563,405</u>	<u>\$ -</u>	<u>\$ 550,943</u>	<u>\$ 5,040,019</u>	<u>\$ -</u>	<u>\$ 25,759,680</u>

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 407,994	\$ 989,258	\$ 1,024,910	\$ 372,342
Cash on hand and in banks	141,172	577,172	584,791	133,553
Stores inventory	<u>2,256</u>	<u>6,663</u>	<u>8,690</u>	<u>229</u>
Total assets	<u>\$ 551,422</u>	<u>\$ 1,573,093</u>	<u>\$ 1,618,391</u>	<u>\$ 506,124</u>
Liabilities:				
Due to student groups	<u>\$ 551,422</u>	<u>\$ 1,573,093</u>	<u>\$ 1,618,391</u>	<u>\$ 506,124</u>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	340,862	870,970	864,502	347,330
Stores inventory	<u>11,523</u>	<u>157,504</u>	<u>151,685</u>	<u>17,342</u>
Total assets	<u>\$ 352,385</u>	<u>\$ 1,028,474</u>	<u>\$ 1,016,187</u>	<u>\$ 364,672</u>
Liabilities:				
Due to student groups	<u>\$ 352,385</u>	<u>\$ 1,028,474</u>	<u>\$ 1,016,187</u>	<u>\$ 364,672</u>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	8,390	4,801	4,363	8,828
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,390</u>	<u>\$ 4,801</u>	<u>\$ 4,363</u>	<u>\$ 8,828</u>
Liabilities:				
Due to student groups	<u>\$ 8,390</u>	<u>\$ 4,801</u>	<u>\$ 4,363</u>	<u>\$ 8,828</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

	<u>Balance</u> July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, <u>2018</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 8,859	\$ 4,990	\$ 8,631	\$ 5,218
Cash on hand and in banks	1,273,986	2,070,198	2,144,464	1,199,720
Stores inventory	<u>29,902</u>	<u>102,147</u>	<u>88,852</u>	<u>43,197</u>
Total assets	<u>\$ 1,312,747</u>	<u>\$ 2,177,335</u>	<u>\$ 2,241,947</u>	<u>\$ 1,248,135</u>
Liabilities:				
Due to student groups	<u>\$ 1,312,747</u>	<u>\$ 2,177,335</u>	<u>\$ 2,241,947</u>	<u>\$ 1,248,135</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 416,853	\$ 994,248	\$ 1,033,541	\$ 377,560
Cash on hand and in banks	1,764,410	3,523,141	3,598,120	1,689,431
Stores inventory	<u>43,681</u>	<u>266,314</u>	<u>249,227</u>	<u>60,768</u>
Total assets	<u>\$ 2,224,944</u>	<u>\$ 4,783,703</u>	<u>\$ 4,880,888</u>	<u>\$ 2,127,759</u>
Liabilities:				
Due to student groups	<u>\$ 2,224,944</u>	<u>\$ 4,783,703</u>	<u>\$ 4,880,888</u>	<u>\$ 2,127,759</u>

FRESNO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

Fresno Unified School District, a political subdivision of the State of California, was established on July 1, 1948. The District serves grades preschool through twelve and operates sixty-five elementary, fourteen middle, eight comprehensive high schools, five alternative schools, one independent study school, and two community day schools. All of the District's schools are located in Fresno County. The District is comprised of approximately 99 square miles. There were no changes to the District's boundaries during the current year.

The Board of Education at June 30, 2018 was comprised of the following members:

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

The Superintendent's Executive Staff at June 30, 2018 was comprised of the following:

Robert G. Nelson, Ed. D. Superintendent		
Ruth F. Quinto Deputy Superintendent / Chief Financial Officer Administrative Services	Katie Russell Instructional Superintendent School Leadership	Alex Belanger Assistant Superintendent Facilities Management & Planning
Kim Mecum Chief Academic Officer School Leadership	Ed Gomes Instructional Superintendent School Leadership	Brian Beck Assistant Superintendent Special Education & Health Svcs
Paul Idsvoog Chief Executive Human Resources/ Labor Relations	Misty Her Instructional Superintendent School Leadership	Holland Locker Assistant Superintendent School Operations
Lindsay Sanders Chief of Equity and Access	Brian Wall Instructional Superintendent School Leadership	Maria Maldonado Assistant Superintendent English Learner Services
Karin Temple Chief Operations Officer Operational Services	Melissa Dutra Instructional Superintendent Curriculum and Instruction	Kim Kelstrom Executive Officer Fiscal Services
Kurt Madden Chief Technology Officer Technology Services	David Chavez Chief of Staff	LeAnn Nowlin, Ph.D. Director, Fiscal Services
Miguel Arias Chief Information Officer Communications Office	Wendy McCulley Executive Director Chief Academic Office	Santino Danisi Executive Officer State and Federal Programs

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2018

Certificate #:	<u>89483ACA</u>	<u>F96F46EF</u>	<u>8961E250</u>
	Second Period Report	Revised Second Period Report	Annual Report
Elementary:			
Transitional Kindergarten through Third	23,141	23,181	23,170
Fourth through Sixth	16,260	16,278	16,257
Seventh and Eighth	<u>10,015</u>	<u>10,018</u>	<u>9,973</u>
Subtotal Elementary	<u>49,416</u>	<u>49,477</u>	<u>49,400</u>
Secondary:			
Ninth through Twelfth	<u>17,218</u>	<u>17,228</u>	<u>17,001</u>
Subtotal Secondary	<u>17,218</u>	<u>17,228</u>	<u>17,001</u>
District Total	<u><u>66,634</u></u>	<u><u>66,705</u></u>	<u><u>66,401</u></u>

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2018

<u>Grade Level</u>	Statutory 1986-87 Minutes Require- ment	2017-2018 Actual Minutes	Number of Days Traditional Calendar	<u>Status</u>
<u>District:</u>				
Kindergarten	36,000	47,315	180	In Compliance
Grade 1	50,400	55,356	180	In Compliance
Grade 2	50,400	55,356	180	In Compliance
Grade 3	50,400	55,341	180	In Compliance
Grade 4	54,000	55,370	180	In Compliance
Grade 5	54,000	55,353	180	In Compliance
Grade 6	54,000	55,353	180	In Compliance
Grade 7	54,000	62,732	180	In Compliance
Grade 8	54,000	62,732	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	ESEA: Title I Programs:		
84.010	ESEA: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 48,957,937
84.010	ESEA: Title I, Part D, Local Delinquent Programs	14357	93,910
	Subtotal ESEA: Title I Programs		49,051,847
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,245,919
84.027	IDEA Local Assistance, Private School ISPs Part B, Sec. 611	10115	19,202
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	961,082
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	337,320
84.173A	Alternate Dispute Resolution, Part B, Sec. 611	23761	18,868
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	785,025
84.027A	Supporting Inclusive Practices	13693	7,941
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	2,374
	Subtotal Special Education Cluster		15,377,731

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Migrant Ed Programs:		
84.011	ESEA: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	\$ 342,374
84.011	ESEA: Title I, Migrant Ed Summer Program	10005	<u>86,740</u>
	Subtotal Migrant Ed Programs		<u>429,114</u>
	Title III Programs:		
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Program	14346	1,840,014
84.365	ESEA: Title III, Immigrant Student Program	15146	<u>67,628</u>
	Subtotal Title III Programs		<u>1,907,642</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	365,638
84.002	Adult Education: Adult Secondary Education	13978	266,062
84.002A	Adult Education: English Literacy and Civics Education	14109	174,900
84.002	Adult Education: Citizenship and Integration Direct Services Grant Program	-	<u>102,834</u>
	Subtotal Adult Education Programs		<u>909,434</u>
	Carl D. Perkins Career and Tech Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	988,265
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	<u>269,136</u>
	Subtotal Carl D. Perkins Career and Tech Education Programs		<u>1,257,401</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.350	Teacher Quality Partnership Program	-	\$ 1,690,739
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,968,777
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,219,944
84.060	Indian Education	10011	48,818
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.411A	New Teacher Induction Program	-	349,870
84.330	Advanced Placement Test Fee Reimbursement	-	<u>47,297</u>
Total U.S. Department of Education			<u>76,354,488</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.079	Youth Risk Behavior Survey Grant	-	6,303
93.596	Child Development: Federal General and Preschool, Family Child Care Home (CCDF Cluster)	13609	413,814
93.778	Department of Health Services: Medi-Cal Billing Option (Medicaid Cluster)	10013	<u>1,001,160</u>
Total U.S. Department of Health and Human Services			<u>1,421,277</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims, Centers and Family Day Care Homes	13529	3,535,235
10.555	Child Nutrition: School Programs (Child Nutrition Cluster)	13396	46,803,764
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,887,683</u>
Total U.S. Department of Agriculture			<u>52,226,682</u>
Total Federal Programs			<u>\$ 130,002,447</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, 2018

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, 2018
(UNAUDITED)

	(Adopted Budget) 2019	2018	2017	2016
<u>General Fund</u>				
Revenues and other financing sources	\$ 983,265,962	\$ 923,762,192	\$ 879,014,653	\$ 859,144,168
Expenditures	1,011,664,922	925,770,789	816,571,446	822,860,362
Other uses and transfers out	<u>5,527,465</u>	<u>4,634,148</u>	<u>2,539,730</u>	<u>6,142,082</u>
Total outgo	<u>1,017,192,387</u>	<u>930,404,937</u>	<u>819,111,176</u>	<u>829,002,444</u>
Change in fund balance	<u>\$ (33,926,425)</u>	<u>\$ (6,642,745)</u>	<u>\$ 59,903,477</u>	<u>\$ 30,141,724</u>
Ending fund balance	<u>\$ 115,245,667</u>	<u>\$ 149,172,092</u>	<u>\$ 155,814,837</u>	<u>\$ 95,911,360</u>
Available reserves	<u>\$ 103,901,652</u>	<u>\$ 82,572,367</u>	<u>\$ 81,821,965</u>	<u>\$ 57,707,610</u>
Designated for economic uncertainties	<u>\$ 103,901,652</u>	<u>\$ 82,572,367</u>	<u>\$ 81,821,965</u>	<u>\$ 57,707,610</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>8.89%</u>	<u>8.87%</u>	<u>9.99%</u>	<u>6.96%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$2,492,292,367</u>	<u>\$2,523,097,240</u>	<u>\$1,783,729,652</u>	<u>\$1,474,833,962</u>
Average daily attendance at P-2	<u>66,750</u>	<u>66,705</u>	<u>66,736</u>	<u>66,598</u>

The General Fund fund balance has increased by \$83,402,456 over the past three years. The fiscal year 2018-2019 budget projects a deficit of \$33,926,425. 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, 2018, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit in fiscal year 2018-2019.

Total long-term liabilities have increased by \$1,048,263,278 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 107 over the past two years. An increase of 45 ADA is projected for the 2018-2019 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

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

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2018

NOTE 1- PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 128,608,173
Add:		
Child Nutrition: School Programs expenditures in excess of funds received	10.555	1,431,889
Child Nutrition: CACFP Claims, Centers and Family Day Care Homes funds received in excess of expenditures	10.558	<u>2,826,163</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 130,002,447</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt such a program.



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

Audit Committee
Fresno Unified School District
Fresno, California

Report on Compliance with State Laws and Regulations

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

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

(Continued)

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

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

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

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

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Fresno Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Fresno Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Fresno Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance with State Laws and Regulations

In our opinion, Fresno Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Sacramento, California
November 29, 2018



Crowe LLP
Independent Member Crowe Global

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

Audit Committee
Fresno Unified School District
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements, and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
November 29, 2018



Crowe LLP
Independent Member Crowe Global

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

Audit Committee
Fresno Unified School District
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fresno Unified School District's major federal programs for the year ended June 30, 2018. Fresno Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fresno Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP
Crowe LLP

Sacramento, California
November 29, 2018

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
 noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition: National School Lunch Program
10.558	Child Nutrition: Child and Adult Care Food Program

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

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

STATE AWARDS

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2017-001	Implemented.	
<u>Condition:</u> At one of the sites selected for visitation, we noted no evidence of approval for school fundraisers.		
<u>Recommendation:</u> School fundraisers should be properly approved before occurring.		