

FRESNO UNIFIED SCHOOL DISTRICT

COUNTY OF FRESNO

FRESNO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

AND

INDEPENDENT AUDITOR'S REPORT

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2006

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FRESNO UNIFIED SCHOOL DISTRICT
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WITH SUPPLEMENTARY INFORMATION
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FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2006, which collectively comprise Fresno Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fresno Unified School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2007 on our consideration of Fresno Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Perry-Smith LLP

Sacramento, California
February 15, 2007



February 16, 2007

Board of Trustees
Fresno Unified School District
Fresno, California 93721

BOARD OF EDUCATION

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SUPERINTENDENT

Michael E. Hanson

I am pleased to present the financial statements of the Fresno Unified School District (the District) for the fiscal year ended June 30, 2006, 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 indicate that the District is fiscally sound as defined by the State Controller's Office, with a General Fund fund balance of \$42,702,527.

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

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

The independent auditors' reports cite no material internal control weaknesses, and no material instances of non-compliance with the requirements of federal and state programs. However, the auditors provided a list of findings and recommendations for the year ending June 30, 2006. District administration has reviewed these findings and recommendations and has responded to each. In addition, the auditors provide an analysis of the District's response to the findings and recommendations issued in connection with the previous fiscal year ended June 30, 2005.

The financial statements for the year ended June 30, 2006 present the District's sound financial condition and along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

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



FRESNO UNIFIED SCHOOL DISTRICT

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

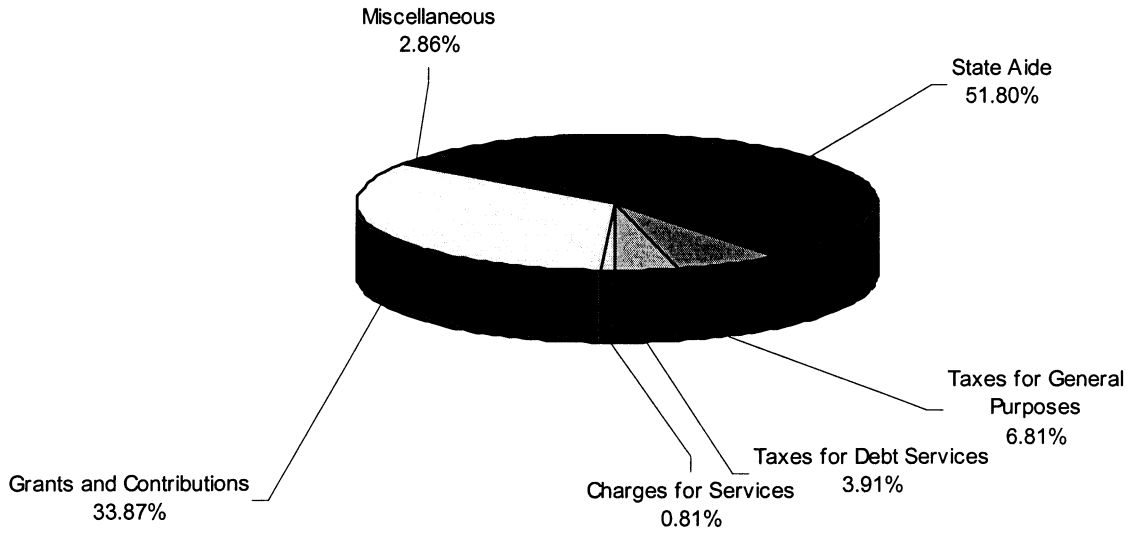
We, the management of the Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This is the fifth year since the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. This discussion and analysis provides comparison between fiscal year 2005/06 and fiscal year 2004/05.

FINANCIAL HIGHLIGHTS

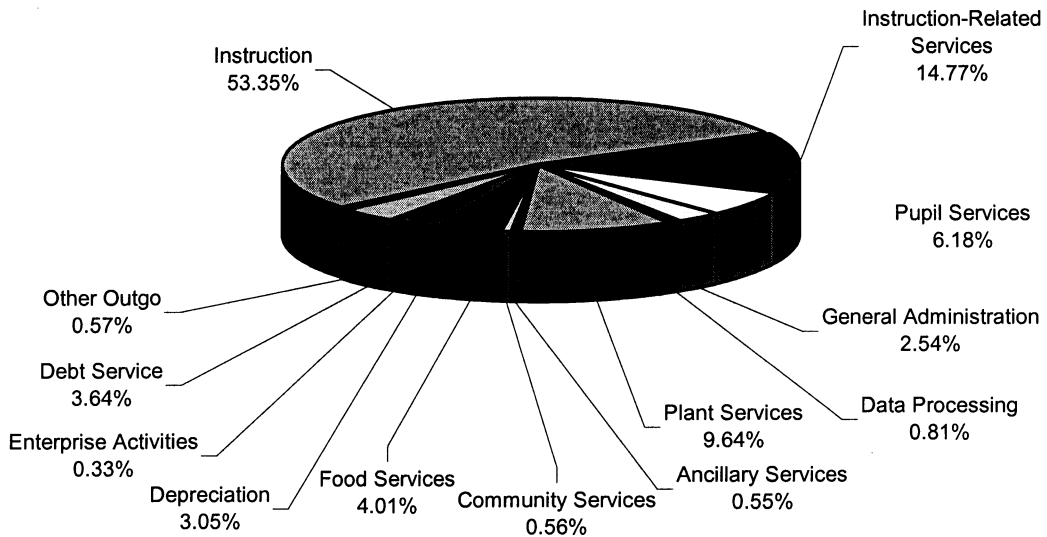
- The primary government has government-wide net assets totaling \$247 million at June 30, 2006.
- Business-type activities have a restricted net asset surplus of \$27 million. The net assets of the District's business-type activity for Food Services increased by 5%.
- The total net assets of the District increased by \$121 million during fiscal year 2005/06. The increase is due to restatement of beginning net assets to correct prior year balances in capital assets and long-term liabilities, the acquisition of capital assets, and the normal scheduled payments toward the general obligation bonds, certificates of participation (COP's), accumulated vacation, capital leases, lease revenue bonds, and workers' compensation liability.
- Fund balance of the District's governmental funds increased by \$45 million resulting in an ending fund balance of \$135 million. The majority of the increase is a result of a new issuance in Measure "K" and lowering the District expenses towards the Health Fund and increasing class size.
- At the end of the 2005/06 fiscal year, the fund surplus in the District's Unrestricted General Fund increased by \$16 million. This was due mainly to the District's ability to reach agreement with employee groups' to lower the District's contribution to the Health Fund and increase in class size.
- The District's long-term obligations decreased by \$50 million to \$310 million as a result of the restatement of the beginning balances, offset by a new issuance of general obligation bonds and the scheduled payments on existing long-term liabilities.
- The District's financial position remained steady during the 2005/06 fiscal year as reflected by Standard and Poor's affirmed credit rating of A+. This experience is a result of the District's ability to adjust expenditure levels necessary due to declining enrollment, control health costs, and increase in class size.

**GOVERNMENTAL FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Government-wide Revenue



Government-wide Expenses



**GOVERNMENTAL FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is normally provided in this document. The basic financial statements are comprised of three components: 1.) Government-wide financial statements; 2.) Fund financial statements; and, 3.) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The statement of net assets presents information about all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues and business-type activities that are intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the general fund, debt service fund, capital projects funds, special revenue funds, and the internal service funds. The District's only business-type activity is the food service fund.

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

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include two of the three possible fund types. The fund types presented here are 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.

**GOVERNMENTAL FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains 12 different governmental funds. The major funds are the General Fund and the State School Building Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled Other Governmental Funds. Individual fund information for the non-major funds is presented as Other Supplemental Information elsewhere in this document.

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 remaining governmental funds' budgetary comparisons are reported as other supplemental information.

The District maintains two types of proprietary funds. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements.

The fund financial statements of the enterprise fund provide the same information as the government-wide financial statements only in more detail. Internal service funds are used to accumulate and allocate costs internally among the governmental functions.

The enterprise fund is the Cafeteria Fund and is considered to be a major fund. Individual internal service fund information is presented as other supplemental information elsewhere in this document. The District's internal service funds are 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 and internal service funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Net Assets

The assets of the District are classified as follows: deposits and investments, receivables, internal balances, stores inventories, prepaid expenditures, and capital assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of state revenue limit and property tax resources.

Capital assets are used in the operations of the District. These assets are land, buildings, improvement of sites and equipment. Capital assets are discussed in greater detail in Note 4, Capital Assets in the notes to the financial statements.

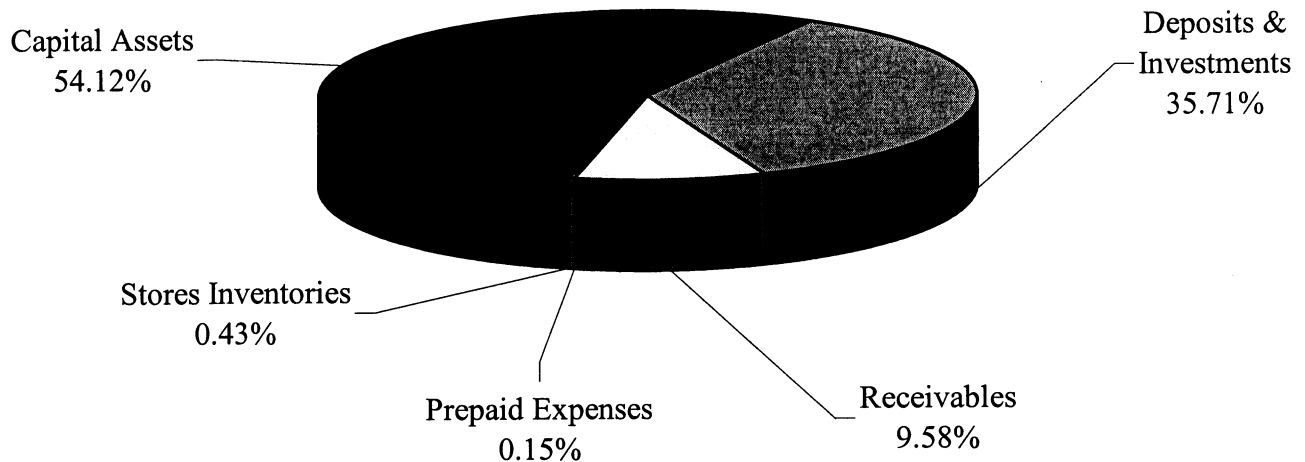
**GOVERNMENTAL FUNDS
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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, long-term liabilities, and deferred revenue. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2005/06 fiscal year. Long-term liabilities such as bonds payable, COPs, and compensated absences will be liquidated from resources that will become available after the 2006/07 fiscal year.

The assets of the primary government activities exceed liabilities by \$221 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts should be eliminated to avoid the "gross up" effect on the assets and liabilities.

The fixed assets were restated as of June 30, 2005. This is a result of accounting for the work in progress and capitalization threshold as approved by the Board. A net investment of \$389 million in land, improvement of sites, buildings, and equipment to provide the services to the District's 77,720 public school students represents 54% of the District's total assets. The chart on the next page presents a percentage illustration of the District's government-wide net assets.

Government-wide Assets



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 building funds for fiscal year 2005/06.

- The Building Fund's fund balance increased by \$26 million, primarily due to the issuance of G.O. Bonds. This fund is operating as anticipated.

**GOVERNMENTAL FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

- The Building Fund's major projects and activities include the following:
 - Construction of Olmos Elementary \$12.0 million
 - Design for New Elementary School No. 5 \$.6 million
 - Site Acquisition for New Elementary School No. 5 \$ 3.9 million
 - Reroofed various facilities at Roosevelt High \$.6 million

The District's Business-type activity increased net assets by \$1,250,905. The Business-type activity accounts for 11% of the District's net assets. Key elements that highlight the activities in 2005/06 fiscal year are as follows:

- The Cafeteria Fund reported net assets experienced no significant change. This fund is operating as anticipated.
- The Cafeteria Fund provided over 18,779 breakfasts and 50,373 lunches and 4,264 snacks a day during the fiscal year. 79% of the student population qualified for free or reduced price meals. Meals are served at 98 locations, utilizing 604 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- 65 of the District's schools qualify for Provision 2 status due to the poverty level at these schools. This allows Food Services to provide meals to all enrolled students free of charge at these sites.

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 1,783 students during the fiscal year according to the October 2005 CBEDS data. The average daily attendance for fiscal year 2005/06 decreased 1,905 from the 2004/05 fiscal year. This decrease amounts to approximately \$9.8 million.

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

General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2005/06, Fresno Unified spent 61.65% towards classroom compensation.

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

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

**GOVERNMENTAL FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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

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

The estimated unrestricted ending balance was \$29.6 million. The actual ending balance was also \$29.6 million.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2006, was \$389 million (net of accumulated depreciation).

Capital assets include land, buildings, improvement of sites, equipment, and work in progress. Capital assets experienced relatively no change in both the business-type activities and the governmental activities.

Major capital events during the year are included in the governmental activities – capital projects section. Additional information on the District's capital assets can be found in Note 4 of this report.

The long-term debt for the District as of June 30, 2005 was restated to accurately reflect the actual debt as of that date from \$360 million to \$290 million.

At June 30, 2006, the District had total bonded debt outstanding of \$245 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases and certificates of participation in the amount of \$56 million still outstanding at the end of the 2005/06 fiscal year.

Total long-term debt for the District increased \$20 million during the 2005/06 fiscal year due mainly to a new issuance of \$31 million in August 2005.

The District's credit rating from Standards and Poor's for general obligation debt was maintained at A+.

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 \$162 million less than the maximum amount.

Additional information on the District's long-term obligations can be found in Note 6.

Economic Factors and Budgets and Rates for 2006/07

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions from the Governor's priorities and calculates funding levels based upon enrollment projections.

On June 14, 2006, the Board approved an Adopted Budget for fiscal year 2006/07. The Adopted Budget includes the 3% reserve.

**GOVERNMENTAL FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The major State assumptions associated with State funding issues are as follows:

State Revenues

- State COLA of 5.9% on the Revenue Limit
- COLA of 4.04% on Special Education
- Deficit reduction changed to 0%
- Equalization revenue - \$48.83 per ADA.
- Declining enrollment – approximately \$9.5 million.

Increased State Requirements

- Restricted routine maintenance increase from 2% to 3% of the General Fund \$6.9 million

Program Funds Shifting From Unrestricted to Restricted Programs

- Continued utilization of the AB825 Block Grant Transfer Options

The assumptions with Local issues are as follows:

- District will be funded on prior year ADA due to declining enrollment
- Total compensation increase of 5.7% based on a proposed formula
- Adjustment to Workers' Compensation and Liability Insurance rates to 2.5% and .81% respectively
- Projected ADA decline of 1,873
- Cost of full year 3.282% salary increase in fiscal year 2006
- Ongoing Program Development of approximately \$5 million
- Continued implementation costs for 4GL and Payroll/Personnel/Financial System

The District provides post employment medical benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees at least 57½ years old. For employees hired on or after July 1, 2005, the District provides five years of post employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees at least 60 years old. GASB 43 and GASB 45 are new governmental accounting standards that direct how state and local governments will account for these benefits. The District's most recent actuarial study calculated the total gross liability for post employment benefits to be \$792 million.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash (Note 2)	\$ 234,758,090	\$ 22,350,765	\$ 257,108,855
Accounts receivable	64,080,439	4,918,940	68,999,379
Due from (to) other funds (Note 3)	2,150,356	(2,150,356)	
Prepaid expenses and other current assets	1,014,728	31,024	1,045,752
Stores inventory	1,799,461	1,323,555	3,123,016
Capital assets, net of accumulated depreciation (Note 4)	<u>388,875,343</u>	<u>757,125</u>	<u>389,632,468</u>
Total assets	<u>692,678,417</u>	<u>27,231,053</u>	<u>719,909,470</u>
LIABILITIES			
Accounts payable and other current liabilities	71,919,235	720,447	72,639,682
Deferred revenue	45,898,581		45,898,581
Self-Insurance claims liability (Note 5)	44,351,014		44,351,014
Long-term liabilities (Note 6):			
Due within one year	21,298,999		21,298,999
Due after one year	<u>288,417,649</u>		<u>288,417,649</u>
Total liabilities	<u>471,885,478</u>	<u>720,447</u>	<u>472,605,925</u>
NET ASSETS			
Invested in capital assets, net of related debt	86,378,234	757,125	87,135,359
Restricted (Note 7)	122,908,583	25,753,481	148,662,064
Unrestricted	<u>11,506,122</u>		<u>11,506,122</u>
Total net assets	<u>\$ 220,792,939</u>	<u>\$ 26,510,606</u>	<u>\$ 247,303,545</u>

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

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction	\$ 359,765,523	\$ 118,440,187	\$ 62,750	\$ (239,672,579)		\$ (239,672,579)
Instruction-related services:						
Supervision of instruction	53,833,671	52,542,718		(777,967)		(777,967)
Instructional library, media and technology	9,080,837	1,426,601		(7,652,386)		(7,652,386)
School site administration	36,695,446	4,183,952		(32,278,825)		(32,278,825)
Pupil services:						
Home-to-school transportation	12,620,162	5,498,729		(6,388,184)		(6,388,184)
Food services	127,907	54,975		(44,194)		(44,194)
All other pupil services	28,902,381	16,202,843		(12,288,924)		(12,288,924)
General administration:						
Data processing	5,463,246			(5,463,246)		(5,463,246)
All other general administration	16,217,067	5,912,685		(10,203,763)		(10,203,763)
Plant services	64,709,852	5,326,877		(59,312,035)		(59,312,035)
Ancillary services	3,703,936	148,180		(3,555,756)		(3,555,756)
Community services	3,793,973	2,642,066		(1,119,005)		(1,119,005)
Enterprise activities	2,094,240	555,712		(1,517,800)		(1,517,800)
Interest on long-term liabilities	24,525,106			(24,525,106)		(24,525,106)
Other outgo	3,837,526	1,267,334		(2,570,041)		(2,570,041)
Depreciation (unallocated) (Note 4)	20,549,966			(20,549,966)		(20,549,966)
Business-type activities:						
Food services	27,060,237	1,937,738	26,322,369		\$ 1,199,870	1,199,870
All other general administration	885,454	63,406	855,519		33,471	33,471
Plant services	326,573	23,385	315,534		12,346	12,346
Enterprise services	138,040	9,885	133,373		5,218	5,218
Total governmental and business-type activities	\$ 674,331,143	\$ 5,769,887	\$ 241,829,684	(427,919,777)	1,250,905	(426,668,872)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				48,364,382		48,364,382
Taxes levied for debt service				27,786,996		27,786,996
Federal and State aid not restricted to specific purposes				369,815,981		369,815,981
Interest and investment earnings				7,217,477		7,217,477
Interagency revenues				2,258,312		2,258,312
Miscellaneous				10,923,541		10,923,541
Total general revenues				466,366,689		466,366,689
Change in net assets				38,446,912	1,250,905	39,697,817
Net assets, July 1, 2005, as previously reported				100,278,800	25,259,701	125,538,501
Restatement of net assets (Note 11)				82,067,227		82,067,227
Net assets, July 1, 2005, as restated				182,346,027	25,259,701	207,605,728
Net assets, June 30, 2006				\$ 220,792,939	\$ 26,510,606	\$ 247,303,545

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

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2006

	<u>General Fund</u>	<u>State School Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 52,275,300	\$ 20,825,700	\$ 96,909,661	\$ 170,010,661
Cash in revolving fund	100,100			100,100
Cash on hand and in banks			5,000	5,000
Cash awaiting deposit			131,458	131,458
Cash with Fiscal Agent			23,858	23,858
Accounts receivable:				
Federal government	18,595,487		550,789	19,146,276
State government	19,017,617		1,491,335	20,508,952
Local government and other	21,602,670	230,281	2,027,318	23,860,269
Prepaid expenditures	19,800			19,800
Other current assets	245,179		2,013	247,192
Due from other funds	29,499,348	6,123,922	20,651,072	56,274,342
Stores inventory	<u>1,728,960</u>		<u>70,501</u>	<u>1,799,461</u>
Total assets	<u>\$ 143,084,461</u>	<u>\$ 27,179,903</u>	<u>\$ 121,863,005</u>	<u>\$ 292,127,369</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 52,127,964	\$ 60,551	\$ 5,804,189	\$ 57,992,704
Deferred revenue	23,312,933	22,517,064	68,584	45,898,581
Due to other funds	<u>24,941,037</u>	<u>4,602,288</u>	<u>23,656,257</u>	<u>53,199,582</u>
Total liabilities	100,381,934	27,179,903	29,529,030	157,090,867
Fund balances	<u>42,702,527</u>		<u>92,333,975</u>	<u>135,036,502</u>
Total liabilities and fund balances	<u>\$ 143,084,461</u>	<u>\$ 27,179,903</u>	<u>\$ 121,863,005</u>	<u>\$ 292,127,369</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balances - Governmental Funds		\$ 135,036,502
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$574,565,709 and the accumulated depreciation is \$185,690,366 (Note 4).		388,875,343
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, 2006 consisted of (Note 6):		
General Obligation Bonds	\$ (245,103,742)	
Certificates of Participation	(56,325,000)	
Capitalized Lease Obligations	(1,068,367)	
Qualified Zone Academy Bonds	(4,178,245)	
Compensated absences	<u>(3,041,294)</u>	
		(309,716,648)
Internal service funds are included in the government-wide financial statements.		15,363,792
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.		25,000
Unmatured interest on long-term liabilities is recognized in the period incurred.		<u>(8,791,050)</u>
Total net assets - governmental activities		<u>\$ 220,792,939</u>

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

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	<u>General Fund</u>	<u>State School Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 337,276,425		\$ 10,360,277	\$ 347,636,702
Local sources	<u>48,369,178</u>			<u>48,369,178</u>
Total revenue limit	<u>385,645,603</u>		<u>10,360,277</u>	<u>396,005,880</u>
Federal sources	86,172,780		1,504,862	87,677,642
Other State sources	136,696,542	\$ 316,826	7,399,860	144,413,228
Other local sources	<u>16,201,580</u>		<u>36,709,429</u>	<u>52,911,009</u>
Total revenues	<u>624,716,505</u>	<u>316,826</u>	<u>55,974,428</u>	<u>681,007,759</u>
Expenditures:				
Certificated salaries	295,784,186		8,137,051	303,921,237
Classified salaries	83,880,518		2,862,054	86,742,572
Employee benefits	136,208,644		3,369,434	139,578,078
Books and supplies	35,376,735		2,339,313	37,716,048
Contract services and operating expenditures	44,057,856	(128,702)	7,341,361	51,270,515
Capital outlay	6,261,097		11,389,945	17,651,042
Other outgo	3,837,526			3,837,526
Debt service:				
Principal retirement	769,740		12,522,789	13,292,529
Interest	<u>25,052</u>		<u>15,045,300</u>	<u>15,070,352</u>
Total expenditures	<u>606,201,354</u>	<u>(128,702)</u>	<u>63,007,247</u>	<u>669,079,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,515,151</u>	<u>445,528</u>	<u>(7,032,819)</u>	<u>11,927,860</u>
Other financing sources (uses):				
Operating transfers in	4,453,552		7,595,688	12,049,240
Operating transfers out	(2,943,879)	(316,826)	(6,655,316)	(9,916,021)
Proceeds from sale of bonds			<u>31,000,000</u>	<u>31,000,000</u>
Total other financing sources (uses)	<u>1,509,673</u>	<u>(316,826)</u>	<u>31,940,372</u>	<u>33,133,219</u>
Net change in fund balances	<u>20,024,824</u>	<u>128,702</u>	<u>24,907,553</u>	<u>45,061,079</u>
Fund balances, July 1, 2005, as originally reported	22,677,703	(128,702)	66,140,132	88,689,133
Restatement of fund balances			<u>1,286,290</u>	<u>1,286,290</u>
Fund balances, July 1, 2005, as restated	<u>22,677,703</u>	<u>(128,702)</u>	<u>67,426,422</u>	<u>89,975,423</u>
Fund balances, June 30, 2006	<u>\$ 42,702,527</u>	<u>\$ -</u>	<u>\$ 92,333,975</u>	<u>\$ 135,036,502</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2006

Net change in fund balances - Total Governmental Funds		\$ 45,061,079
Amounts reported for governmental activities in the statement of activities are different because:		
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6).	\$ (31,663,705)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 6).	13,292,529	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	21,095,175	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(20,549,966)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(8,791,050)	
Activities of the internal service fund are reported with governmental activities.	21,427,324	
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.	25,000	
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>(1,449,474)</u>	<u>(6,614,167)</u>
Change in net assets of governmental activities		<u>\$ 38,446,912</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

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

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2006

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 342,311,336	\$ 340,560,916	\$ 337,276,425	\$ (3,284,491)
Local sources	<u>45,238,499</u>	<u>45,238,499</u>	<u>48,369,178</u>	<u>3,130,679</u>
Total revenue limit	<u>387,549,835</u>	<u>385,799,415</u>	<u>385,645,603</u>	<u>(153,812)</u>
Federal sources	90,614,008	112,671,628	86,172,780	(26,498,848)
Other State sources	120,201,499	138,786,436	136,696,542	(2,089,894)
Other local sources	<u>11,977,692</u>	<u>15,922,144</u>	<u>16,201,580</u>	<u>279,436</u>
Total revenues	<u>610,343,034</u>	<u>653,179,623</u>	<u>624,716,505</u>	<u>(28,463,118)</u>
Expenditures:				
Certificated salaries	292,705,793	297,023,171	295,784,186	1,238,985
Classified salaries	82,473,086	83,840,651	83,880,518	(39,867)
Employee benefits	140,420,083	140,294,048	136,208,644	4,085,404
Books and supplies	35,343,370	62,596,531	35,376,735	27,219,796
Contract services and operating expenditures	48,106,679	53,007,760	44,057,856	8,949,904
Capital outlay	2,902,295	10,916,078	6,261,097	4,654,981
Other outgo	3,303,686	3,859,216	3,837,526	21,690
Debt service:				
Principal retirement	819,782	819,782	769,740	50,042
Interest			<u>25,052</u>	<u>(25,052)</u>
Total expenditures	<u>606,074,774</u>	<u>652,357,237</u>	<u>606,201,354</u>	<u>46,155,883</u>
Excess of revenues over expenditures	<u>4,268,260</u>	<u>822,386</u>	<u>18,515,151</u>	<u>17,692,765</u>
Other financing sources (uses):				
Operating transfers in	4,587,576	4,477,140	4,453,552	(23,588)
Operating transfers out	<u>(3,076,875)</u>	<u>(2,943,879)</u>	<u>(2,943,879)</u>	
Total other financing sources (uses)	<u>1,510,701</u>	<u>1,533,261</u>	<u>1,509,673</u>	<u>(23,588)</u>
Net change in fund balance	5,778,961	2,355,647	20,024,824	17,669,177
Fund balance, July 1, 2005	<u>22,677,703</u>	<u>22,677,703</u>	<u>22,677,703</u>	
Fund balance, June 30, 2006	<u>\$ 28,456,664</u>	<u>\$ 25,033,350</u>	<u>\$ 42,702,527</u>	<u>\$ 17,669,177</u>

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

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

June 30, 2006

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 62,484,680
Cash on hand and in banks	2,000,000
Cash awaiting deposit	2,333
Accounts receivable:	
Local government and other	564,942
Due from other funds	1,791,091
Prepaid expenditures and expenses	717,883
Other current assets	<u>4,853</u>
Total assets	<u>67,565,782</u>

LIABILITIES

Current liabilities:	
Accounts payable	5,135,481
Due to other funds	<u>2,715,495</u>
Total current liabilities	7,850,976
Self Insurance claims liability	<u>44,351,014</u>
Total liabilities	<u>52,201,990</u>

NET ASSETS

Restricted	<u><u>\$ 15,363,792</u></u>
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The accompanying notes are an integral
part of these financial statements.

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

SELF-INSURANCE FUND

For the Year Ended June 30, 2006

Operating revenues:	
Self-insurance premiums	<u>\$112,050,321</u>
Operating expenses:	
Classified salaries	769,378
Employee benefits	351,160
Books and supplies	15,278
Contract services	<u>89,862,788</u>
Total operating expenses	<u>90,998,604</u>
Operating income	21,051,717
Non-operating revenue (expense):	
Interest income	1,623,372
Interfund transfer	<u>(1,247,765)</u>
Total non-operating revenue (expense)	<u>375,607</u>
Change in net assets	<u>21,427,324</u>
Total net assets, July 1, 2005, as previously reported	18,015,590
Net asset restatement	<u>(24,079,122)</u>
Total net assets, July 1, 2005, as restated	<u>(6,063,532)</u>
Total net assets, June 30, 2006	<u><u>\$ 15,363,792</u></u>

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

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

For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 100,885,142
Cash received from user charges	9,332,795
Cash paid for employee benefits	(101,760,754)
Cash paid for salaries	(1,120,538)
Cash paid for other expenses	<u>(15,278)</u>
Net cash provided by operating activities	7,321,367
Cash flows used in financing activities:	
Transfer to other funds	<u>(1,247,765)</u>
Cash flows provided by investing activities:	
Interest income received	<u>1,623,372</u>
Increase in cash and cash equivalents	7,696,974
Cash and cash equivalents, July 1, 2005	<u>56,790,039</u>
Cash and cash equivalents, June 30, 2006	<u><u>\$ 64,487,013</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 21,051,717</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(41,293)
Amount due from other funds	(1,791,091)
Prepaid expenses	132,358
Increase (decrease) in:	
Accounts payable	(966,085)
Amount due to other funds	2,638,896
Unpaid claims and claim adjustment expenses	<u>(13,703,135)</u>
Total adjustments	<u>(13,730,350)</u>
Net cash provided by operating activities	<u><u>\$ 7,321,367</u></u>

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

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
CAFETERIA FUND
June 30, 2006

ASSETS

Cash (Note 2):	
Cash in County Treasury	\$ 22,350,194
Cash awaiting deposit	571
Accounts receivable:	
Federal government	1,007,682
State government	123,683
Local government and other	3,787,575
Due from other funds	278,069
Stores inventory	1,323,555
Prepaid expenditures and expenses	10,000
Other current assets	21,024
Capital assets (Note 4)	3,403,850
Less accumulated depreciation	<u>(2,646,725)</u>
Total assets	<u>29,659,478</u>

LIABILITIES

Current liabilities:	
Accounts payable	720,447
Due to other funds	<u>2,428,425</u>
Total liabilities	<u>3,148,872</u>

NET ASSETS

Invested in capital assets	757,125
Restricted (Note 7)	<u>25,753,481</u>
Total net assets	<u><u>\$ 26,510,606</u></u>

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

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

CAFETERIA FUND

For the Year Ended June 30, 2006

Operating revenues:	
Federal revenues	\$ 24,916,269
Other state revenues	1,647,809
Other local revenues	<u>2,397,668</u>
Total operating revenues	<u>28,961,746</u>
Operating expenses:	
Classified salaries	8,506,403
Employee benefits	5,679,085
Books and supplies	12,029,755
Contract services	1,113,580
Depreciation	<u>196,027</u>
Total operating expenses	<u>27,524,850</u>
Operating income	1,436,896
Non-operating revenue (expense):	
Interest income	699,463
Interfund transfer (Note 3)	<u>(885,454)</u>
Total non-operating revenue (expense)	<u>(185,991)</u>
Change in net assets	1,250,905
Total net assets, July 1, 2005	<u>25,259,701</u>
Total net assets, June 30, 2006	<u><u>\$ 26,510,606</u></u>

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

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

For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from food sales	\$ 2,397,668
Cash received from Child Nutrition Programs	25,826,867
Cash paid for operating expenses	<u>(27,901,093)</u>
Net cash provided by operating activities	323,442
Cash flows used in financing activities:	
Cash paid for capital assets	<u>(23,569)</u>
Cash flows provided by investing activities:	
Interest income received	<u>699,463</u>
Increase in cash and cash equivalents	999,336
Cash and cash equivalents, July 1, 2005	<u>21,351,429</u>
Cash and cash equivalents, June 30, 2006	<u><u>\$ 22,350,765</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 1,436,896</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	196,027
(Increase) decrease in:	
Accounts receivable	(737,211)
Amount due from other funds	18,562
Inventory	(278,600)
Other assets	(21,024)
Increase (decrease) in:	
Accounts payable	433,067
Amount due to other funds	(724,275)
Total adjustments	<u>(1,113,454)</u>
Net cash provided by operating activities	<u><u>\$ 323,442</u></u>

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

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006

ASSETS

Cash on hand and in banks (Note 2)	\$ 2,048,751
Stores inventory	<u>40,334</u>
Total assets	<u>\$ 2,089,085</u>

LIABILITIES

Due to student groups	<u>\$ 2,089,085</u>
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The accompanying notes are an integral
part of these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition of GASB Statement 14, "The Financial Reporting Entity", for inclusion of the Corporation as a component unit of the District. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental organization's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the depended unit should be reported as a part of the other.

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

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2006, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the Financing Corporation Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

- 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.
- Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying basic financial statements (including notes to basic financial statements).

Basis of Presentation - Government-Wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

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 is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

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

2 - Special Revenue Funds:

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

3 - Debt Service Fund:

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

4 - Capital Projects Funds:

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

B - Proprietary Funds

1 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's workers' compensation claims, employee vision and dental benefits, long-term sick leave and retiree health benefits.

2 - Cafeteria Fund:

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

C - Fiduciary Fund Type

1 - Student Body Fund:

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

Basis of Accounting

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Inventory

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

Cafeteria Food Purchases

The Cafeteria Fund statement of revenues and expenditures reflects supplies expense of \$12,029,755. Included in this amount is a handling charge for the delivery of government surplus food commodities. The State does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Interfund Activity

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

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$3,041,294 is for the earned but unused benefits.

Accumulated Sick Leave

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

Deferred Revenue

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets

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

Property Taxes

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

Encumbrances

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

Eliminations and Reclassifications

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

Estimates

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash at June 30, 2006 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 170,010,661	\$ 62,484,680	\$ 232,495,341	\$ 22,350,194	
Cash awaiting deposit	131,458	2,333	133,791	571	
Total pooled funds	170,142,119	62,487,013	232,629,132	22,350,765	
Deposits:					
Cash on hand and in banks	5,000	2,000,000	2,005,000		\$ 2,048,751
Cash in revolving fund	100,100		100,100		
Total deposits	105,100	2,000,000	2,105,100		2,048,751
Cash with Fiscal Agent	23,858		23,858		
Total cash and cash equivalents	\$ 170,271,077	\$ 64,487,013	\$ 234,758,090	\$ 22,350,765	\$ 2,048,751

Pooled Funds

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

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

In accordance with applicable State laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2006, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) and are collateralized by the respective financial institution. At June 30, 2006, the carrying amount of the District's accounts was \$4,153,851, and the bank balances were \$4,067,738. Of the bank balances, \$676,102 was covered by the FDIC or NCUA insurance and \$3,391,636 was uninsured but collateralized.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2006, the District had no concentration of credit risk.

Investments

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

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2006 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 29,499,348	\$ 24,941,037
Adult Education	34,713	1,488,245
Child Development	14,390	1,142,157
Charter Schools	646,376	349,851
Capital Facilities	422	151,784
Building	7,218,920	6,162,404
County School Facilities	6,741,352	7,972,803
State School Building	6,123,922	4,602,288
Special Reserve for Capital Outlay	5,975,399	6,389,013
Tax Override	19,500	
Cafeteria	278,069	2,428,425
Self-Insurance	<u>1,791,091</u>	<u>2,715,495</u>
Totals	<u>\$ 58,343,502</u>	<u>\$ 58,343,502</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2005-06 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the required State match.	\$ 2,943,879
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	92,521
Transfer from the Adult Education Fund to the General Fund for indirect costs.	347,652
Transfer from the Child Development Fund to the General Fund for indirect costs.	184,046
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	885,454
Transfer from the Building Fund to the General Fund for restricted maintenance and deferred maintenance.	2,716,482
Transfer from the Special Reserve for Capital Outlay to General Fund for excess costs.	227,397
Transfer from the Building Fund to the County School Facilities Fund for the match of Office of Public School Construction funds.	3,087,218
Transfer from the State School Building Funds to the County School Facilities Fund for air conditioning projects.	316,826
Transfer from the Self Insurance Fund to the Special Reserve for Capital Outlay Fund for costs relating to high school fire.	<u>1,247,765</u>
	<u>\$ 12,049,240</u>

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)**

4. CAPITAL ASSETS (Continued)

A schedule of changes in capital assets for the year ended June 30, 2006 is shown below:

	Balance July 1, 2005	Restatement	Restated Balance July 1, 2005	Transfers and Additions	Transfers and Deletions	Balance June 30, 2006
Governmental Activities:						
Land	\$ 45,599,112	\$ 228,053	\$ 45,827,165	\$ 241,954		\$ 46,069,119
Work-in-process		49,046,120	49,046,120	6,793,644	\$ 17,879,453	37,960,311
Land improvements	22,924,782	3,289,092	26,213,874	216,272		26,430,146
Buildings	427,309,880	(9,508,897)	417,800,983	24,254,591		442,055,574
Equipment	<u>22,262,040</u>	<u>(7,679,648)</u>	<u>14,582,392</u>	<u>7,468,167</u>		<u>22,050,559</u>
Totals, at cost	<u>518,095,814</u>	<u>35,374,720</u>	<u>553,470,534</u>	<u>38,974,628</u>	<u>17,879,453</u>	<u>574,565,709</u>
Less accumulated depreciation:						
Land improvements	13,035,010	348,209	13,383,219	901,249		14,284,468
Buildings	147,673,017	491,412	148,164,429	11,218,033		159,382,462
Equipment	<u>4,269,559</u>	<u>(676,807)</u>	<u>3,592,752</u>	<u>8,430,684</u>		<u>12,023,436</u>
Total accumulated depreciation	<u>164,977,586</u>	<u>162,814</u>	<u>165,140,400</u>	<u>20,549,966</u>		<u>185,690,366</u>
Governmental activities capital assets, net	<u>\$ 353,118,228</u>	<u>\$ 35,211,906</u>	<u>\$ 388,330,134</u>	<u>\$ 18,424,662</u>	<u>\$ 17,879,453</u>	<u>\$ 388,875,343</u>
Business-Type Activities:						
Equipment	\$ 3,380,281		\$ 3,380,281	\$ 23,569		\$ 3,403,850
Less accumulated depreciation	<u>2,450,698</u>		<u>2,450,698</u>	<u>196,027</u>		<u>2,646,725</u>
Business-Type activities capital assets, net	<u>\$ 929,583</u>	<u>\$ -</u>	<u>\$ 929,583</u>	<u>\$ (172,458)</u>	<u>\$ -</u>	<u>\$ 757,125</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2006 as follows:

Governmental activities:	
Unallocated	<u>\$ 20,549,966</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ 196,027</u>

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, 2006, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE (Continued)

The workers' compensation claims liability of \$34,694,683 is based on an actuarial estimate as of September 7, 2006, discounted at 3.0%. The property and liability claims liability of \$1,363,919 is based on an actuarial estimate as of August 17, 2004, discounted at 3.0%. The health claims liability of \$8,292,412 is based on claims lag date from the District's claim system. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the year ended June 30, 2006 were as follows:

	<u>Property and Liability</u>	<u>Workers' Compen- sation</u>	<u>Health</u>	<u>Total</u>
Claims liability at July 1, 2005, as previously reported		\$ 17,500,353	\$ 16,474,674	\$ 33,975,027
Restatement of claims liability	\$ 948,799	<u>23,130,323</u>	<u> </u>	<u>24,079,122</u>
Claims liability at July 1, 2005, as restated	948,799	40,630,676	16,474,674	58,054,149
Incurred claims	638,160	75,293,140	47,510,190	123,441,490
Paid claims	<u>(223,040)</u>	<u>(81,229,133)</u>	<u>(55,692,452)</u>	<u>(137,144,625)</u>
Claims liability at June 30, 2006	<u>\$ 1,363,919</u>	<u>\$ 34,694,683</u>	<u>\$ 8,292,412</u>	<u>\$ 44,351,014</u>

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

6. LONG-TERM LIABILITIES

General Obligation Bonds

Bond	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Prior Year Report Outstanding July 1, 2005	Restatement July 1, 2005	Outstanding July 1, 2005	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2006
1998 Series A 1998 Refunding Series B Current	4.8 - 6.15%	1998	2013	\$ 33,235,000	\$ 26,725,000		\$ 26,725,000		\$ 1,045,000	\$ 25,680,000
1999 Refunding Series B Capital	5.5 - 6.95%	1998	2022	26,998,742	21,228,741	\$ (2,903,741)	18,325,000		1,050,000	17,275,000
1999 Refunding Series B Capital	5.5 - 6.95%	1998	2022							
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	34,635,000	2,903,741	2,903,741		1,185,000	2,903,741
1995 Series G	4.1 - 7.0%	2002	2026	15,400,000	14,890,000	(14,890,000)	34,635,000			33,450,000
2001 Series B	4.375 - 6.75%	2002	2026	19,000,000	18,370,000	(18,370,000)				
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	61,985,000		61,985,000		885,000	61,100,000
2003 Series A	2.0 - 3.5%	2003	2012	10,380,000	8,280,000	(8,280,000)				
1995 Series H	3.25 - 6.20%	2004	2028	10,060,000	10,060,000		10,060,000		210,000	9,850,000
2004 Series A	1.70 - 5.25%	2004	2028	58,040,000	55,870,000		55,870,000		1,690,000	54,180,000
2004 Refunding 1995 Series B	2.0 - 4.25%	2004	2012	10,645,000	10,155,000		10,155,000		490,000	9,665,000
2001 Series D	4.125 - 5.0%	2005	2031	31,000,000				\$ 31,000,000		31,000,000
				\$ 319,883,742	\$ 262,198,741	\$ (41,540,000)	\$ 220,658,741	\$ 31,000,000	\$ 6,555,000	\$ 245,103,741

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2006, are as follows:

Year Ended June 30,	Principal	Interest	Total
2007	\$ 1,115,000	\$ 1,595,568	\$ 2,710,568
2008	1,190,000	1,528,868	2,718,868
2009	1,265,000	1,457,223	2,722,223
2010	1,350,000	1,379,643	2,729,643
2011	1,455,000	1,295,848	2,750,848
2012-2016	8,870,000	4,967,403	13,837,403
2017-2021	<u>10,435,000</u>	<u>1,638,597</u>	<u>12,073,597</u>
	<u>\$ 25,680,000</u>	<u>\$ 13,863,150</u>	<u>\$ 39,543,150</u>

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2006, are as follows:

Year Ended June 30,	Principal	Interest	Total
2007	\$ 1,125,000	\$ 1,109,687	\$ 2,234,687
2008	1,205,000	1,036,335	2,241,335
2009	1,295,000	956,820	2,251,820
2010	1,390,000	870,897	2,260,897
2011	1,490,000	778,153	2,268,153
2012-2016	9,235,000	2,219,519	11,454,519
2017-2021	<u>1,535,000</u>	<u>50,655</u>	<u>1,585,655</u>
	<u>\$ 17,275,000</u>	<u>\$ 7,022,066</u>	<u>\$ 24,297,066</u>

The annual payments required to amortize the 1998 Refunding, Series B, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2006, are as follows:

Year Ended June 30,	Principal	Interest	Total
2017-2021	\$ 2,507,576	\$ 7,512,421	\$ 10,019,997
2022-2026	<u>396,165</u>	<u>1,508,835</u>	<u>1,905,000</u>
	<u>\$ 2,903,741</u>	<u>\$ 9,021,256</u>	<u>\$ 11,924,997</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,245,000	\$ 1,934,222	\$ 3,179,222
2008	1,310,000	1,866,031	3,176,031
2009	1,410,000	1,793,780	3,203,780
2010	1,500,000	1,714,133	3,214,133
2011	1,555,000	1,628,760	3,183,760
2012-2016	9,535,000	6,656,000	16,191,000
2017-2021	13,000,000	3,443,847	16,443,847
2022-2026	<u>3,895,000</u>	<u>231,280</u>	<u>4,126,280</u>
	<u>\$ 33,450,000</u>	<u>\$ 19,268,053</u>	<u>\$ 52,718,053</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 950,000	\$ 3,491,047	\$ 4,441,047
2008	1,000,000	3,452,498	4,452,498
2009	1,050,000	3,410,422	4,460,422
2010	1,120,000	3,364,475	4,484,475
2011	1,175,000	3,314,553	4,489,553
2012-2016	13,825,000	14,972,701	28,797,701
2017-2021	19,070,000	10,402,500	29,472,500
2022-2026	22,690,000	3,880,800	26,570,800
2027-2031	<u>220,000</u>	<u>6,600</u>	<u>226,600</u>
	<u>\$ 61,100,000</u>	<u>\$ 46,295,596</u>	<u>\$ 107,395,596</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1995, Series H, General Obligation Bonds outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 225,000	\$ 553,732	\$ 778,732
2008	245,000	539,938	784,938
2009	265,000	525,276	790,276
2010	280,000	509,607	789,607
2011	295,000	493,075	788,075
2012-2016	1,720,000	2,215,775	3,935,775
2017-2021	2,280,000	1,680,619	3,960,619
2022-2026	3,045,000	911,709	3,956,709
2027-2031	<u>1,495,000</u>	<u>89,533</u>	<u>1,584,533</u>
	<u>\$ 9,850,000</u>	<u>\$ 7,519,264</u>	<u>\$ 17,369,264</u>

The annual payments required to amortize the 2004, Series A, General Obligation Bonds outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,680,000	\$ 2,525,373	\$ 4,205,373
2008	1,715,000	2,480,478	4,195,478
2009	1,760,000	2,425,978	4,185,978
2010	1,830,000	2,363,298	4,193,298
2011	1,920,000	2,293,483	4,213,483
2012-2016	10,995,000	10,216,212	21,211,212
2017-2021	14,110,000	7,369,630	21,479,630
2022-2026	18,085,000	3,425,677	21,510,677
2027-2031	<u>2,085,000</u>	<u>103,424</u>	<u>2,188,424</u>
	<u>\$ 54,180,000</u>	<u>\$ 33,203,553</u>	<u>\$ 87,383,553</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 Refunding, Series 95B, Current Interest General Obligation Bonds outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 500,000	\$ 340,462	\$ 840,462
2008	515,000	330,312	845,312
2009	530,000	318,537	848,537
2010	545,000	303,737	848,737
2011	565,000	287,087	852,087
2012-2016	3,155,000	1,114,060	4,269,060
2017-2021	<u>3,855,000</u>	<u>411,010</u>	<u>4,266,010</u>
	<u>\$ 9,665,000</u>	<u>\$ 3,105,205</u>	<u>\$ 12,770,205</u>

The annual payments required to amortize the 2005, Series 2001D, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007		\$ 1,488,256	\$ 1,488,256
2008	\$ 735,000	1,469,881	2,204,881
2009	775,000	1,432,131	2,207,131
2010	810,000	1,392,506	2,202,506
2011	845,000	1,351,131	2,196,131
2012-2016	4,840,000	6,066,280	10,906,280
2017-2021	6,045,000	4,711,155	10,756,155
2022-2026	7,555,000	3,068,906	10,623,906
2027-2031	<u>9,395,000</u>	<u>1,084,828</u>	<u>10,479,828</u>
	<u>\$ 31,000,000</u>	<u>\$ 22,065,074</u>	<u>\$ 53,065,074</u>

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

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

Bond	Interest Rate %	Date of Issuance	Amount of Original Issuance	Prior Year Report Outstanding July 1, 2005	Restatement July 1, 2005	Outstanding July 1, 2005	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2006
1992 COPs	4.50 - 7.25%	1992	\$ 35,295,000	\$ 5,550,000	\$ (5,550,000)				
1992A COPs	6.50 - 7.00%	1992	5,680,000	640,000	(640,000)				
1993B COPs	4.80 - 5.25%	1993	15,925,000	8,570,000	(8,570,000)				
1995A COPs	5.50 - 6.80%	1996	10,510,000	6,910,000	(6,910,000)				
1997 COPs	4.00 - 5.00%	1998	20,840,000	12,135,000		\$ 12,135,000		\$ 1,495,000	\$ 10,640,000
1998A Refunding COPs	4.00 - 4.75%	1998	51,930,000	34,125,000		34,125,000		2,985,000	31,140,000
2001 Refunding COPs	4.00 - 4.40%	2001	10,655,000		8,140,000	8,140,000		810,000	7,330,000
2003 Refunding COPs	2.00 - 3.50%	2003	10,380,000		8,280,000	8,280,000		1,065,000	7,215,000
			<u>\$ 161,215,000</u>	<u>\$ 67,930,000</u>	<u>\$ (5,250,000)</u>	<u>\$ 62,680,000</u>	<u>\$ -</u>	<u>\$ 6,355,000</u>	<u>\$ 56,325,000</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The annual payments required to amortize the 1997 Certificates of Participation outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,550,000	\$ 473,985	\$ 2,023,985
2008	1,650,000	401,160	2,051,160
2009	1,720,000	322,790	2,042,790
2010	1,815,000	238,810	2,053,810
2011	1,905,000	147,625	2,052,625
2012-2016	<u>2,000,000</u>	<u>50,000</u>	<u>2,050,000</u>
	<u>\$ 10,640,000</u>	<u>\$ 1,634,370</u>	<u>\$ 12,274,370</u>

The annual payments required to amortize the 1998, Series A, Refunding Certificates of Participation outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,525,000	\$ 1,392,906	\$ 5,917,906
2008	4,845,000	1,202,856	6,047,856
2009	5,185,000	994,521	6,179,521
2010	5,575,000	766,381	6,341,381
2011	5,975,000	515,506	6,490,506
2012-2016	<u>5,035,000</u>	<u>239,162</u>	<u>5,274,162</u>
	<u>\$ 31,140,000</u>	<u>\$ 5,111,332</u>	<u>\$ 36,251,332</u>

The annual payments required to amortize the 2001, Refunding Certificates of Participation outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 855,000	\$ 308,175	\$ 1,163,175
2008	895,000	273,975	1,168,975
2009	945,000	238,175	1,183,175
2010	1,000,000	200,375	1,200,375
2011	1,565,000	158,375	1,723,375
2012-2016	<u>2,070,000</u>	<u>91,080</u>	<u>2,161,080</u>
	<u>\$ 7,330,000</u>	<u>\$ 1,270,155</u>	<u>\$ 8,600,155</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The annual payments required to amortize the 2003, Refunding Certificates of Participation outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,110,000	\$ 202,643	\$ 1,312,643
2008	1,135,000	180,443	1,315,443
2009	1,155,000	154,906	1,309,906
2010	1,180,000	124,587	1,304,587
2011	1,215,000	89,187	1,304,187
2012-2016	<u>1,420,000</u>	<u>49,700</u>	<u>1,469,700</u>
	<u>\$ 7,215,000</u>	<u>\$ 801,466</u>	<u>\$ 8,016,466</u>

Capitalized Lease Obligations

The District leases equipment under long-term lease purchase agreements. A summary of future minimum lease payments is as follows:

<u>Year Ending June 30,</u>	<u>Annual</u>
2007	\$ 408,993
2008	408,992
2009	92,289
2010	92,289
2011	44,953
2012-2016	<u>44,953</u>
Total payments	1,092,469
Less interest portion	<u>(24,102)</u>
Net minimum lease payments	<u>\$ 1,068,367</u>

Other Leases

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bonds

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

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

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

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2007	\$ 682,933
2008	720,512
2009	760,219
2010	802,178
2011	846,521
2012-2014	<u>2,063,309</u>
Total payments	5,875,672
Less amount representing interest	<u>(1,697,427)</u>
Principal due	<u>\$ 4,178,245</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2006 is shown below:

	Balance July 1, 2005	Restatement	Restated Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
General Obligation Bond	\$ 262,198,742	\$ (41,540,000)	\$ 220,658,742	\$ 31,000,000	\$ 6,555,000	\$ 245,103,742	\$ 9,347,577
Certificates of Participation	67,930,000	(5,250,000)	62,680,000		6,355,000	56,325,000	8,040,000
Capitalized lease obligations	1,283,408	167,488	1,450,896		382,529	1,068,367	392,063
Postemployment benefits	24,079,122	(24,079,122)					
QZABs	2,461,059	1,053,481	3,514,540	663,705		4,178,245	478,065
Compensated absences	1,591,820		1,591,820	1,449,474		3,041,294	3,041,294
Totals	<u>\$ 359,544,151</u>	<u>\$ (69,648,153)</u>	<u>\$ 289,895,998</u>	<u>\$ 33,113,179</u>	<u>\$ 13,292,529</u>	<u>\$ 309,716,648</u>	<u>\$ 21,298,999</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities (Continued)

Payments on the General Obligation Bonds are made from the Bond Interest Redemption Fund. Payments on the Certificates of Participation are made from the Tax Override and General Funds. Payments on the capitalized lease obligations are made from General and Child Development Funds. Payments on the compensated absences are made from the fund for which the related employee worked.

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2006:

	<u>Governmental Activities</u>
Revolving cash fund	\$ 100,100
Prepaid expenditures and other current assets	1,014,728
Inventory	1,799,461
Unspent categorical program revenues	13,089,764
Special revenues	14,751,483
Capital projects	41,627,559
Self-insurance	14,641,056
Debt service	<u>35,884,432</u>
	<u><u>\$ 122,908,583</u></u>
	<u>Business-Type Activities</u>
Inventory	\$ 1,323,555
Prepaid expenditures and other current assets	31,024
Food service operations	<u>24,398,902</u>
	<u><u>\$ 25,753,481</u></u>

8. EMPLOYEE RETIREMENT SYSTEMS

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

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-2006 was 9.116% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2004, 2005 and 2006 were \$7,987,876, \$7,638,305 and \$7,209,720, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95826.

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2005-2006 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2005 and 2006 were \$24,644,859, \$24,227,617 and \$24,577,956, respectively, and equal 100% of the required contributions for each year.

9. POST-RETIREMENT EMPLOYEE BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits to all employees and their dependents who have served the District for 16 years. Health care benefits are provided to these employees for life. Currently, 3,391 retirees are receiving these benefits. During the year ended June 30, 2006, expenditures of \$24,552,430 were recognized for post-retirement health care benefits.

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2006:

Total assets	\$ 1,278,107
Total liabilities	\$ 66,069
Net assets	\$ 1,212,038
Total revenues	\$ 194,751
Total expenses	\$ 10,488
Change in net assets	\$ 184,263

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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. RESTATEMENT OF NET ASSETS AND FUND BALANCES

The July 1, 2005 governmental activities net asset balances have been restated to correctly account for Capital Assets and related accumulated depreciation, the defeasance of Long-Term Liabilities and Cash with Fiscal Agent in the COPs Debt Service Fund. The net assets of the Self-Insurance Fund have been restated to include the portion of the self-insurance claims liability that was included in long-term liabilities in the prior year. It was determined that the more appropriate presentation of this liability is in the Self-Insurance Fund. The effect on net assets as of July 1, 2005 are as follows:

	<u>Governmental Activities</u>
Net assets, July 1, 2005, as previously reported	\$ 100,278,800
Adjustment to capital assets and accumulated depreciation	35,211,906
Adjustment for defeasance of long-term liabilities	45,569,031
Adjustment to correct Cash with Fiscal Agent	<u>1,286,290</u>
Net assets, July 1, 2005, as restated	<u>\$ 182,346,027</u>
	<u>Self Insurance Fund</u>
Net assets, July 1, 2005, as previously reported	\$ 18,015,590
Adjustment to self-insurance claims liability	<u>(24,079,122)</u>
Net assets, July 1, 2005, as restated	<u>\$ (6,063,532)</u>

SUPPLEMENTARY INFORMATION

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

June 30, 2006

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Subtotal
\$	6,098,284	(230,617)	8,867,047	12,090,665	11,260,497	38,085,876
	5,000					5,000
	10,432				121,026	131,458
	539,098	11,691				550,789
	1,491,335	1,491,335				1,491,335
	1,131,924	86,673	96,036	117,257	106,182	1,538,072
	34,713	14,390	646,376	7,218,920	422	7,914,821
	70,501					70,501
	2,013					2,013
Total assets	7,891,965	1,373,472	9,609,459	19,426,842	11,488,127	49,789,865
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	374,975	80,617	548,483		66,798	1,070,873
Deferred revenue		68,584				68,584
Due to other funds	1,488,245	1,142,157	349,851	6,162,404	151,784	9,294,441
Total liabilities	1,863,220	1,291,358	898,334	6,162,404	218,582	10,433,898
Fund balances	6,028,745	82,114	8,711,125	13,264,438	11,269,545	39,355,967
Total liabilities and fund balances	7,891,965	1,373,472	9,609,459	19,426,842	11,488,127	49,789,865

ASSETS

Cash in County Treasury
 Cash on hand and in banks
 Cash awaiting deposit
 Investments
 Accounts receivable:
 Federal government
 State government
 Local government and other
 Due from other funds
 Inventory
 Other current assets

Total assets

LIABILITIES AND FUND BALANCES

Liabilities:
 Accounts payable
 Deferred revenue
 Due to other funds

Total liabilities

Fund balances

Total liabilities and fund balances

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS
 (Continued)
 June 30, 2006

	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
ASSETS						
Cash in County Treasury	\$ 18,699,452	\$ 4,507,375	\$ 18,485,741	\$ 7,580,565	\$ 9,550,652	\$ 96,909,661
Cash on hand and in banks						5,000
Cash awaiting deposit						131,458
Investments		23,858				23,858
Accounts receivable:						
Federal government						550,789
State government	195,831	45,441	153,813	94,161		1,491,335
Local government and other	6,741,352	5,975,399		19,500		2,027,318
Due from other funds						20,651,072
Inventory						70,501
Other current assets						2,013
Total assets	<u>\$ 25,636,635</u>	<u>\$ 10,552,073</u>	<u>\$ 18,639,554</u>	<u>\$ 7,694,226</u>	<u>\$ 9,550,652</u>	<u>\$ 121,863,005</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,318,560	\$ 2,414,756				\$ 5,804,189
Deferred revenue						68,584
Due to other funds	<u>7,972,803</u>	<u>6,389,013</u>				<u>23,656,257</u>
Total liabilities	10,291,363	8,803,769				29,529,030
Fund balances	<u>15,345,272</u>	<u>1,748,304</u>	<u>18,639,554</u>	<u>7,694,226</u>	<u>9,550,652</u>	<u>92,333,975</u>
Total liabilities and fund balances	<u>\$ 25,636,635</u>	<u>\$ 10,552,073</u>	<u>\$ 18,639,554</u>	<u>\$ 7,694,226</u>	<u>\$ 9,550,652</u>	<u>\$ 121,863,005</u>

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

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

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2006

	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Subtotal</u>
Revenues:						
Revenue limit sources:						
State apportionment	\$ 10,360,277					\$ 10,360,277
Federal sources	1,371,798	\$ 133,064				1,504,862
Other State sources		5,801,148	\$ 3,180,785			8,981,933
Other local sources	1,467,606	23,006	214,957	\$ 452,394	\$ 4,167,667	6,325,630
Total revenues	<u>13,199,681</u>	<u>5,957,218</u>	<u>3,395,742</u>	<u>452,394</u>	<u>4,167,667</u>	<u>27,172,702</u>
Expenditures:						
Certificated salaries	5,588,762	2,548,289				8,137,051
Classified salaries	1,435,603	1,079,762				2,515,365
Employee benefits	1,993,303	1,218,485				3,211,788
Books and supplies	1,135,490	607,081	489,667			2,232,238
Contract services and operating expenditures	1,655,543	226,831	2,680,032	5,000	402,386	4,969,792
Capital outlay	205,369			105	291,745	497,219
Debt service:						
Principal retirement		92,289				92,289
Interest						
Total expenditures	<u>12,014,070</u>	<u>5,772,737</u>	<u>3,169,699</u>	<u>5,105</u>	<u>694,131</u>	<u>21,655,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,185,611</u>	<u>184,481</u>	<u>226,043</u>	<u>447,289</u>	<u>3,473,536</u>	<u>5,516,960</u>
Other financing sources (uses):						
Operating transfers in			2,943,879			2,943,879
Operating transfers out	(347,652)	(184,046)		(5,803,700)	(92,521)	(6,427,919)
Proceeds from issuance of bonds				31,000,000		31,000,000
Total other financing sources (uses)	<u>(347,652)</u>	<u>(184,046)</u>	<u>2,943,879</u>	<u>25,196,300</u>	<u>(92,521)</u>	<u>27,515,960</u>
Net change in fund balances	837,959	435	3,169,922	25,643,589	3,381,015	33,032,920
Fund balances, July 1, 2005, as originally reported	5,190,786	81,679	5,541,203	(12,379,151)	7,888,530	6,323,047
Restatement of fund balance						
Fund balances, July 1, 2005, as restated	<u>5,190,786</u>	<u>81,679</u>	<u>5,541,203</u>	<u>(12,379,151)</u>	<u>7,888,530</u>	<u>6,323,047</u>
Fund balances, June 30, 2006	<u>\$ 6,028,745</u>	<u>\$ 82,114</u>	<u>\$ 8,711,125</u>	<u>\$ 13,264,438</u>	<u>\$ 11,269,545</u>	<u>\$ 39,355,967</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

(Continued)

For the Year Ended June 30, 2006

	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
Revenues:						
Revenue limit sources:						
State apportionment					\$	10,360,277
Federal sources		(1,327,997)				1,504,862
Other State sources		(302,595)	\$ 21,400,007	\$ 8,706,016		7,399,860
Other local sources						36,709,429
Total revenues	326,295	(1,630,592)	21,400,007	8,706,016		55,974,428
Expenditures:						
Certificated salaries						8,137,051
Classified salaries		346,689				2,862,054
Employee benefits		157,646				3,369,434
Books and supplies	107,075					2,339,313
Contract services and operating expenditures					\$ 65,582	7,341,361
Capital outlay	2,230,218	75,769				11,389,945
Debt service:	10,931,021	(38,295)				
Principal retirement			6,555,000	5,875,500		12,522,789
Interest			12,423,739	2,621,561		15,045,300
Total expenditures	13,268,314	541,809	18,978,739	8,497,061	65,582	63,007,247
Excess (deficiency) of revenues over (under) expenditures	(12,942,019)	(2,172,401)	2,421,268	208,955	(65,582)	(7,032,819)
Other financing sources (uses):						
Operating transfers in	3,404,044	1,247,765				7,595,688
Operating transfers out		(227,397)				(6,655,316)
Proceeds from issuance of bonds						31,000,000
Total other financing sources (uses)	3,404,044	1,020,368				31,940,372
Net change in fund balances	(9,537,975)	(1,152,033)	2,421,268	208,955	(65,582)	24,907,553
Fund balances, July 1, 2005, as originally reported	24,883,247	2,900,337	16,218,286	7,485,271	8,329,944	66,140,132
Restatement of fund balance					1,286,290	1,286,290
Fund balances, July 1, 2005, as restated	24,883,247	2,900,337	16,218,286	7,485,271	9,616,234	67,426,422
Fund balances, June 30, 2006	15,345,272	1,748,304	18,639,554	7,694,226	9,550,652	92,333,975

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

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

For the Year Ended June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 684,868	\$ 2,722,847	\$ 2,744,094	\$ 663,621
Stores inventory	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 684,868</u>	<u>\$ 2,722,847</u>	<u>\$ 2,744,094</u>	<u>\$ 663,621</u>
Liabilities:				
Due to student groups	<u>\$ 684,868</u>	<u>\$ 2,722,847</u>	<u>\$ 2,744,094</u>	<u>\$ 663,621</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 349,225	\$ 960,212	\$ 1,053,958	\$ 255,479
Stores inventory	<u>16,217</u>	<u>69,070</u>	<u>61,836</u>	<u>23,451</u>
Total assets	<u>\$ 365,442</u>	<u>\$ 1,029,282</u>	<u>\$ 1,115,794</u>	<u>\$ 278,930</u>
Liabilities:				
Due to student groups	<u>\$ 365,442</u>	<u>\$ 1,029,282</u>	<u>\$ 1,115,794</u>	<u>\$ 278,930</u>
<u>Special Programs</u>				
Assets:				
Cash on hand and in banks	\$ 13,707	\$ 1,252	\$ 4,907	\$ 10,052
Stores inventory	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 13,707</u>	<u>\$ 1,252</u>	<u>\$ 4,907</u>	<u>\$ 10,052</u>
Liabilities:				
Due to student groups	<u>\$ 13,707</u>	<u>\$ 1,252</u>	<u>\$ 4,907</u>	<u>\$ 10,052</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,152,630	\$ 3,506,651	\$ 3,539,682	\$ 1,119,599
Stores inventory	<u>25,741</u>	<u>158,816</u>	<u>167,674</u>	<u>16,883</u>
Total assets	<u>\$ 1,178,371</u>	<u>\$ 3,665,467</u>	<u>\$ 3,707,356</u>	<u>\$ 1,136,482</u>
Liabilities:				
Due to student groups	<u>\$ 1,178,371</u>	<u>\$ 3,665,467</u>	<u>\$ 3,707,356</u>	<u>\$ 1,136,482</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 2,200,430	\$ 7,190,962	\$ 7,342,641	\$ 2,048,751
Stores inventory	<u>41,958</u>	<u>227,886</u>	<u>229,510</u>	<u>40,334</u>
Total assets	<u>\$ 2,242,388</u>	<u>\$ 7,418,848</u>	<u>\$ 7,572,151</u>	<u>\$ 2,089,085</u>
Liabilities:				
Due to student groups	<u>\$ 2,242,388</u>	<u>\$ 7,418,848</u>	<u>\$ 7,572,151</u>	<u>\$ 2,089,085</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2006

The Fresno Unified School District, a political subdivision of the State of California, was established on July 1, 1948. The District serves grades kindergarten through twelve and operates sixty-one elementary, eighteen middle, eight comprehensive high schools, five alternative high schools, one independent study center, and one community day school. All of the District's schools are located in Fresno County.

The Board of Education at June 30, 2006 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Luisa Medina	President	2006
Janet Ryan	Clerk	2008
Patricia R. Barr	Member	2006
Valerie Davis	Member	2006
Manuel G. Nuñez	Member	2008
Carol Mills, J.D.	Member	2008
Tony Vang, Ed. D.	Member	2006

The Superintendent's Executive Staff at June 30, 2006 was comprised of the following:

Michael E. Hanson
Superintendent

Ruth F. Quinto, CPA
Associate Superintendent, Administrative Services / Chief Financial Officer

Linda Hauser, Ed. D.
Associate Superintendent, School Leadership / Chief Academic Officer

Terry Simerly
Associate Superintendent, School Support Services

Kim Mecum
Associate Superintendent, Human Resources / Labor Relations

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2006

	Second Period Report	Annual Report
Elementary:		
Kindergarten	5,412	5,442
First through Third	17,040	17,013
Fourth through Eighth	27,839	27,783
Special Education	1,409	1,424
Non Public Schools	1	1
Community Day School	39	41
Home and Hospital	8	8
Subtotal Elementary	51,748	51,712
Secondary:		
Regular Classes	18,031	17,770
Special Education	846	838
Compulsory Continuation Education	787	781
Home and Hospital	7	7
Non Public Schools	3	5
Subtotal Secondary	19,674	19,401
Charter Schools	1,358	1,044
District subtotal before Adult	72,780	72,157
Adult Education:		
Concurrent Classes	326	331
Non-current Classes	3,851	4,007
Subtotal Adult	4,177	4,338
District Totals	76,957	76,495
Hours of Attendance		
Summer School:		
Elementary	584,908	639,033
Secondary	765,765	787,371
	1,350,673	1,426,404

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2006

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2005-06 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
District:						
Kindergarten	36,000	31,680	36,000	180	176	In Compliance
Grades 1 to 3	50,400	43,095	50,400	180	176	In Compliance
Grades 4 to 6	54,000	54,000	54,042	180	176	In Compliance
Grades 7 to 8	54,000	54,000	54,843	180	N/A	In Compliance
Grades 9 to 12	64,800	54,560	64,800	180	N/A	In Compliance
Sunset Charter School:						
Kindergarten	36,000	N/A	46,800	180	N/A	In Compliance
Grades 1 to 3	50,400	N/A	50,705	180	N/A	In Compliance
Grades 4 to 6	54,000	N/A	54,483	180	N/A	In Compliance

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Adult Education Cluster:			
84.002	Adult Education: ESL/ESL-Citizenship	13973	\$ 633,375
84.002	Adult Education: Family Literacy	13977	<u>183,150</u>
	Subtotal Adult Education Cluster		<u>816,525</u>
NCLB: Title I Cluster:			
84.010	NCLB: Title I Basic Grants, Low Income & Neglected, Part A	13797	37,235,178
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	172,550
84.010	NCLB: Title I Comprehensive School Reform (SB IX Immediate Intervention/Underperforming Schools)	13966	2,104,665
84.010	NCLB: Title I, Part A, Program Improvement District Intervention	14581	1,237,354
84.010	NCLB: Title I, Part A, School Improvement, School Assistance and Intervention Teams (SAIT)	14417	149,999
84.010	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	14579	<u>172,332</u>
	Subtotal NCLB: Title I Cluster		<u>41,072,078</u>
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,592,652
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.027	Special Ed: IDEA Interpreter Certification, Part B, Sec. 611	14466	15,766
84.173	Special Ed: IDEA Preschool Staff Development, Part B, Sec. 619	13431	3,173
84.027	Special Ed: IDEA Local Staff Development, Part B, Sec. 611	13613	5,349
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	<u>926,750</u>
	Subtotal Special Education Cluster		<u>14,639,564</u>
Safe and Drug Free Schools Cluster:			
84.186	NCLB: Title IV, Part A, Safe and Drug-Free Schools and Communities (Technical Assistance)	14378	742,657
84.184L	Safe and Drug-Free Schools and Communities National Program	-	<u>2,006,089</u>
	Subtotal Safe and Drug Free Schools Cluster		<u>2,748,746</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2006

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education (Continued)</u>			
	NCLB: Title II Cluster:		
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	\$ 1,018,927
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	<u>207,876</u>
	Subtotal Title II Cluster		<u>1,226,803</u>
	NCLB: Title III Cluster:		
84.365	NCLB: Title III, Immigrant Education Program	14346	245,850
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	<u>2,225,944</u>
	Subtotal Title III Cluster		<u>2,471,794</u>
84.367	NCLB: Title II, Improving Teacher Quality Local Grants	14341	5,696,455
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CAMSP)	14512	705,429
84.351D	Arts in Education	-	248,368
84.357	NCLB: Title I, Part B, Reading First Program	14328	4,652,218
84.213C	NCLB: Title I, Part B, Even Start Family Literacy Program	14331	172,698
84.298A	NCLB: Title V, Part A, Innovative Education Strategies Formula Entitlements	13340	370,154
84.041	Federal Impact Aid (ESEA, Title VIII)	10015	530,491
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	-	150,000
84.165	Magnet School Assistance	-	3,207,552
84.014	Indian Education	-	128,926
84.011	NCLB: Title I, Migrant Ed (Regular and Summer Program)	13174	2,912,047
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,129,958
84.215	Character Education	3063	876,285
84.UNK	Goals 2000: Student Academic Partnership (7-12)	-	100,059
84.215X	Fund for the Improvement of Education	-	435,165
84.048	Vocational Programs: Voc. and Applied Technology State Leadership, Sec. 124 (Carl Perkins Act)	13920	1,056,944
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	13923	<u>555,273</u>
	Total U.S. Department of Education		<u>85,903,532</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2006

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
	Child Development Cluster:		
93.575	Child Development: Quality Improvement	13979	\$ 72,274
93.575	Child Development: School-Age Child Care Resource Contracts	13941	5,578
93.575	Child Development: Infant/Toddler Child Care Resource Contracts	13942	<u>17,484</u>
	Subtotal Child Development Cluster		<u>95,336</u>
93.778	Department of Health Services: Medi-Cal Billings	10013	<u>910,005</u>
	Total U.S. Department of Health and Human Services		<u>1,005,341</u>
<u>U.S. Department of Agriculture</u>			
	Child Nutrition Cluster:		
10.558	Child Nutrition: CCFP Claims, Centers and Family Day Care Homes	13529	37,728
10.550	National Food Distribution	3755	861,454
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	<u>24,054,815</u>
	Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>24,953,997</u>
<u>U.S. Department of Labor</u>			
	Workforce Investment Act Cluster:		
17.259	Workforce Investment Act (WIA), Youth Activities	3770	544,003
17.255	Workforce Investment Act (WIA), From Other Agencies (LWIB)	10055	<u>27,950</u>
	Total Workforce Investment Act and U.S. Department of Labor		<u>571,953</u>
<u>National Science Foundation</u>			
47.076	Education and Human Resources	-	39,738
47.076	National Science Foundation	-	<u>119,350</u>
	Total National Science Foundation		<u>159,088</u>
	Total Federal Programs		<u>\$ 112,593,911</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, 2006

	<u>Self- Insurance Fund</u>
June 30, 2006 Unaudited Actual Financial Report Ending Fund Balance	\$ 14,157,659
Adjustments:	
Restatement of beginning fund balance	(24,079,122)
Understatement of cash on hand and in banks	500,000
Changes in self-insurance claims liability	<u>24,785,255</u>
June 30, 2006 Audited Financial Statements Ending Fund Balance	<u>\$ 15,363,792</u>

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

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2006

	<u>(Budgeted)</u> <u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$664,022,659</u>	<u>\$629,170,057</u>	<u>\$613,023,857</u>	<u>\$583,950,556</u>
Expenditures	663,263,728	606,201,354	608,002,712	590,733,000
Other uses and transfers out	<u>3,188,395</u>	<u>2,943,879</u>	<u>484,212</u>	<u></u>
Total outgo	<u>666,452,123</u>	<u>609,145,233</u>	<u>608,486,924</u>	<u>590,733,000</u>
Change in fund balance	<u>\$ (2,429,464)</u>	<u>\$ 20,024,824</u>	<u>\$ 4,536,933</u>	<u>\$ (6,782,444)</u>
Ending fund balance	<u>\$ 40,273,063</u>	<u>\$ 42,702,527</u>	<u>\$ 22,677,703</u>	<u>\$ 18,140,770</u>
Available reserves	<u>\$ 28,262,955</u>	<u>\$ 26,182,074</u>	<u>\$ 10,560,870</u>	<u>\$ 11,400,106</u>
Designated for economic uncertainties	<u>\$ 28,262,955</u>	<u>\$ 26,182,074</u>	<u>\$ 10,560,870</u>	<u>\$ 11,400,106</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>4.24%</u>	<u>4.30%</u>	<u>1.74%</u>	<u>1.93%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$288,417,649</u>	<u>\$309,716,648</u>	<u>\$359,544,151</u>	<u>\$381,584,518</u>
Average daily attendance at P-2, (excludes classes for adults and charter schools)	<u>70,492</u>	<u>71,422</u>	<u>73,298</u>	<u>73,783</u>

The General Fund fund balance has increased by \$17,779,313 over the past three years. The fiscal year 2006-07 budget projects a decrease of \$2,429,464. 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, 2006, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, but anticipates an operating deficit in fiscal year 2007.

Total long-term liabilities have decreased by \$71,867,870 over the past two years, primarily due to the restatement of prior year balances.

Average daily attendance, excluding classes for adults and charter schools, has decreased by 2,361 over the past two years. A decrease of 930 ADA is projected for the 2006-2007 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2006

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Fresno Prep Academy	Separate Report
KIPP Academy	Separate Report
New Millennium Institute of Education	Separate Report
School of Unlimited Learning	Separate Report
Carter G. Woodson Public Charter	Separate Report
Valley Preparatory Academy Charter School	Separate Report
Sunset Charter School	Included in District financial statements, in the General Fund

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with A-133 requirements.

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

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

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2006-2007 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2006, the District did not adopt such a program.

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

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the State laws and regulations listed below for the year ended June 30, 2006. Compliance with the requirements of State laws and regulations is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	22	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Center/Programs	6	No, see below
Instructional Time:		
School Districts	4	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
Morgan Hart Class Reduction Program	7	Yes
Instructional Materials:		
General requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
School Construction Funds:		
School District Bonds	3	No, see below
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	No, see below
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education Program	3	Yes
School Accountability Report Card	3	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Additional Nonclassroom-Based Instruction for charter schools	1	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes

We did not perform any procedures related to Regional Occupational Center/Programs because the District does not offer this program.

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

We did not perform any procedures related to Community Day School ADA because the ADA reported was below the level required for testing.

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

We did not perform any procedures related to Early Retirement Incentive Program and Alternative Pension Plans because the District did not offer these programs in the current year.

We did not perform any procedures related to School Construction Funds - School District Bonds because the District only has Proposition 39 Bonds in the current year.

The 2005-2006 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2006. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2005-2006 Audit Guide relating to the comparison of tested data from the 2005-2006 fiscal year to the 2005-2006 School Accountability Report Cards.

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

(Continued)

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

In our opinion, Fresno Unified School District complied with the State laws and regulations referred to above for the year ended June 30, 2006, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Fresno Unified School District had not complied with the State laws and regulations.

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

ARRY-SMITH CP

Sacramento, California
February 15, 2007

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

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the financial statements of Fresno Unified School District as of and for the year ended June 30, 2006, and have issued our report thereon dated February 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fresno Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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



Sacramento, California
February 15, 2007

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

Audit Committee
Fresno Unified School District
Fresno, California

Compliance

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. Fresno Unified School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

In our opinion, Fresno Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006, except as described in the Schedule of Audit Findings and Questioned Costs section of this report.

Internal Control Over Compliance

The management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Fresno Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

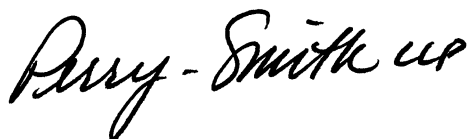
**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Perry-Smith" followed by a flourish.

Sacramento, California
February 15, 2007

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Reportable condition(s) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Reportable condition(s) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.181, 84.173	Special Education Cluster
10.558, 10.550, 10.555	Child Nutrition Cluster
84.165	Magnet School Assistance

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,377,817

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

STATE AWARDS

Internal control over State programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Reportable condition(s) identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported

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

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At various school sites tested, we noted the following:

- Fundraising approval forms are not consistently being used to approve revenue-producing activities.
- The student store inventory is not counted or reviewed periodically.
- Cash register tapes from the student store are not reconciled to the bank deposits.
- School sites do not consistently prepare profit and loss statements for the student store.
- Cash is not being counted in dual control every time cash is received.
- Cash receipts are not supported by detailed cash collection forms.
- Several student club accounts had negative balances, indicating controls were not in place to prevent expenditures in excess of funds.
- The ASB offices do not consistently issue receipt books to students/faculty for events generating money.
- Several expenditures tested were not approved or signed by 3 persons.
- Monthly financial activity reports are not distributed to the student clubs.
- Annual financial reconciliation for all student clubs did not reconcile to the summary given to the District.
- Outstanding checks that were more than six months old were not reviewed and written off.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

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

Recommendation

- Receipt books or other supporting documentation should be used to record initial receipt of cash.
- Proper supporting documentation should accompany funds submitted for deposit.
- Pre-numbered receipt books should be issued to the student groups and reconciled monthly.
- Cash should be counted in dual custody and be supported by a detailed cash reconciliation form.
- Cash receipts should be reconciled to the deposits and approved by school site administrator.
- Student Council and school site administration should approve all fundraising events.
- Expenditures should be approved by the appropriate individuals for Elementary, Middle and High Schools.
- Sub-ledgers should be used in order to maintain appropriate student club balances.
- Expenditures should not be approved when the student club has a negative cash balance.
- Student store inventory should be counted or reviewed twice a year.
- Profit and loss statements should be prepared monthly for the student store activity.
- Monthly financial activity reports should be distributed to student organizations.

Corrective Action Plan

The District handbook outlines most of the issues noted by the auditors' recommendations; some at a greater level than what has been suggested. The District will add the recommendations of preparing monthly reports to the student organizations and that expenditures should not be approved for any student club that has a negative cash balance unless a plan is in place to rectify the situation.

2. CASH RECONCILIATIONS (30000)

Criteria

Internal Controls- Safeguarding of Assets.

Condition

- The Cash in County Treasury reconciliations for the General, Cafeteria, Adult Education and Self Insurance Funds are not being prepared and reviewed timely. There were no signatures or initials indicating preparation or review.
- Revolving and cash accounts did not have evidence of preparation or review.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

2. CASH RECONCILIATIONS (30000) (Continued)

Effect

District assets are not adequately safeguarded.

Cause

District staff have not performed the necessary internal control procedures.

Fiscal Impact

Not determinable.

Recommendation

- The Cash in County Treasury reconciliations should be performed and reviewed on a monthly basis.
- Revolving and cash account reconciliations should be signed/initialed by the preparer and reviewer. Documentation should be kept with the reconciliation to support the reconciling items.

Corrective Action Plan

The District will implement procedures to perform monthly reconciliations, and to have a second review of the reconciliations.

3. CASH RECEIPTS (30000)

Criteria

Internal Controls- Safeguarding of Assets

Condition

- Cash and checks received at the District Office are not counted in dual custody. One individual counts the cash and checks received, sends the deposit, and receives the confirmation of journal entries made by the County Treasury.
- There is no evidence that the cash received at the site is being counted in dual custody prior to being sent to the District for deposit.
- The Fresno Unified School District Receipt form that accompanies all cash that is sent with a deposit is not being marked with a signature or initials indicating review.
- Reconciliation of developer fees received by the facilities office to the developer fee account at the District are not being prepared or reviewed.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

3. **CASH RECEIPTS (30000)** (Continued)

Effect

Funds could potentially be misappropriated.

Cause

District staff have not performed the necessary internal control procedures.

Fiscal Impact

Not determinable.

Recommendation

- Cash and checks received at the District Office should be counted in dual custody.
- Deposits and cash receipt supporting documentation should be reviewed by an individual other than the person who prepared the documentation.
- Developer fees should be reconciled at the facilities office and reviewed by an individual at the District Office.

Corrective Action Plan

Current District procedures require cash at school sites to be counted in the presence of two people. Current processes will be enhanced to require two signatures of the individuals when the cash is counted. Current processes will also be enhanced to include the preparer and reviewer signatures on Developer Fee reconciliations.

4. **CASH DISBURSEMENTS (30000)**

Criteria

Internal Controls- Safeguarding of Assets

Condition

Access to the warrant stock is not restricted to appropriate personnel. Personnel not authorized to print warrants have authorization to open the warrant drawer in order to take out warrants that are waiting for vendors to pick up.

Effect

Funds could potentially be misappropriated.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

4. CASH DISBURSEMENTS (30000) (Continued)

Cause

District staff have not implemented the necessary internal control procedures.

Fiscal Impact

Not determinable.

Recommendation

Access to warrant stock should be restricted to appropriate District personnel.

Corrective Action Plan

Manual warrants are now secured in the vault until needed for release.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

5. FEDERAL COMPLIANCE – SPECIAL EDUCATION (50000)

Criteria

- An employee whose compensation is funded solely from a Single Cost Objective (i.e., consolidated administrative funds or combined school wide program) must furnish semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3.
- An employee paid in part from a Single Cost Objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part with funds from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B paragraph 11.h.4

Condition

- Employees whose compensation is paid solely from a Single Cost Objective (Federal Program) are not furnishing semi-annual certifications.
- Employees who are multi-funded from Federal sources are not furnishing time and effort distribution records.

Effect

The District is not in compliance with Federal funding requirements, and may lose all federally funded payroll.

Cause

District management was not fully aware of these requirements.

Fiscal Impact

Federal revenue recognized for the Special Education Programs totaled \$14,639,564.

Recommendation

- The District should require employees who are paid solely from a Single Cost Objective furnish semi-annual certification.
- The District should require employees who are multi-funded to turn in time and distribution records periodically.

Corrective Action Plan

The District currently requires multi-funded time sheets, and will add the semi-annual certifications for positions supported fully by federal funding.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

6. ATTENDANCE (10000)

Criteria

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

Condition

- At Lane Elementary, three students were improperly counted as present for a total of 3 days.
- At Easterby Elementary, three students were improperly counted as present for a total of 3 days.
- At Storey Elementary, two students were improperly counted as present for a total of 2 days.
- At Ewing Elementary, two students were improperly counted as present for a total of 2 days.
- At Wolters Elementary, one student was improperly counted as present for a total of 1 day.
- At Aynesworth Elementary, two students were improperly counted as present for a total of 3 days.
- At Scandinavian Middle School, three students were improperly counted as present for a total of 3 days.
- At Sunnyside High School, one student was improperly counted as present for a total of 1 day.
- At Sunset Charter School, one student was improperly counted as present for a total of 1 day.

Effect

The effect of this finding is an extrapolated overstatement of 28.35 ADA.

Cause

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

Fiscal Impact

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

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

6. ATTENDANCE (10000) (Continued)

Recommendation

The District should assign responsibilities for review and reconciliation between the attendance system and excuse note files to reduce the potential for errors occurring. In addition, the District should revise and resubmit the Period Two and Annual Reports of Attendance reflecting the removal of disallowed ADA.

Corrective Action Plan

The District has revised the attendance reports to appropriately reflect the ADA generated. Human element is a factor in attendance reporting due to the inherent risk factor. As such, the District will continue to provide training to our attendance personnel, conduct in-house attendance reviews, and will continue to evaluate and implement processes to improve attendance reporting for the District.

7. KINDERGARTEN CONTINUATION (10000)

Criteria

California Department of Education Code section 46300 (g) requires kindergarten students who have been retained in kindergarten to have a signed agreement approved in form and content by the State Department of Education

Condition

- . The Parental Agreement form required by the California Department of Education was not properly completed for three students retained at Lane Elementary School.
- . The Parental Agreement form required by the California Department of Education was not properly completed for two students retained at Storey Elementary School.
- . The Parental Agreement form required by the California Department of Education was not used for all four students retained at Ewing Elementary School.
- . The Parental Agreement form required by the California Department of Education was not properly completed for three students retained at Eaton Elementary School.
- . The Parental Agreement form required by the California Department of Education was not properly completed for one student retained at Easterby Elementary School.

Effect

Overstatement of ADA.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

7. KINDERGARTEN CONTINUATION (10000) (Continued)

Cause

For each Parental Agreement form identified the District did not complete the fields relating to the name of the school official approving the form for the District, the anniversary date of kindergarten admission, and the date up to which the student may continue to be retained. At one of the school sites the form used was not approved by the California Department of Education.

Fiscal Impact

The overstatement of ADA related to the disallowed retention forms is 11.76 ADA. Based on the fact that the District is in declining enrollment and prior year ADA is used for the revenue limit calculation, there is no current year fiscal impact.

Recommendation

The District should perform a cursory review of the continuation forms, to ensure all of the required elements are included in form and content, before preparing Period Two and Annual Reports of Attendance. In addition, the District has revised Period Two Report of Attendance, reflecting the removal of the disallowed ADA.

Corrective Action Plan

The District has revised the attendance reports to appropriately reflect the ADA generated. In addition the District has modified procedures to use the proper form and to have completed forms sent to Fiscal Services to ensure proper compliance.

8. ATTENDANCE REPORTING (10000) - Cal-SAFE

Criteria

Attendance Accounting and Reporting for California School Age Families Education (Cal-SAFE) Program should be in accordance with California Education Code 54749. Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Fresno High School, one student was improperly counted as present for a total of 3 days.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2006

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

8. **ATTENDANCE REPORTING (10000) - Cal-SAFE (Continued)**

Effect

The effect of this finding is an extrapolated overstatement of 1.70 ADA.

Cause

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

Fiscal Impact

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

Recommendation

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

Corrective Action Plan

The District has revised the attendance reports to appropriately reflect the ADA generated.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2006

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2005-1</p> <p>The District percentage of available reserve as of June 30, 2005 was 1.74%. The District should develop a specific plan to address the financial conditions and develop monitoring procedures to ensure the financial plan is being implemented.</p>	<p>Implemented.</p>	
<p>2005-2</p> <p>In the testing of the validity of year-end accruals for accounts receivables, noted that the collection of \$223,311 is probably doubtful because they are over 181 days old. The District should review the collection history and establish a bad debt allowance.</p>	<p>Implemented.</p>	
<p>2005-3</p> <p>In tracing absent documentation to computer attendance reports, several instances were noted where the student was marked absent on the register and phone log but was reported as being present on the monthly report. The District should implement additional controls designed to detect attendance recording errors.</p>	<p>Not implemented.</p>	<p>See current year finding #6.</p>
<p>2005-4</p> <p>Instances were noted where the student was marked absent on the scantrons but was reported as being present on the monthly report. The District should implement procedures for keeping the clerk's attendance reports that have been certified by the teachers after changes being made directly into the attendance system.</p>	<p>Not implemented.</p>	<p>See current year finding #6.</p>