

FRESNO UNIFIED SCHOOL DISTRICT
COUNTY OF FRESNO
FRESNO, CALIFORNIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

AND

INDEPENDENT AUDITOR'S REPORT

FRESNO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2007

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

For the Year Ended June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2007, which collectively comprise Fresno Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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
December 3, 2007

**BOARD OF EDUCATION**

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December 3, 2007

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Michael E. Hanson

Board of Trustees
Fresno Unified School District
Fresno, California 93721

I am pleased to present the financial statements of the Fresno Unified School District (the District) for the fiscal year ended June 30, 2007, with the Independent Auditors' Reports on those financial statements and the Federal and State Compliance audits. These financial statements have been prepared in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), and confirm that the District is fiscally sound as defined by the State Controller's Office, with a General Fund balance of \$92,834,877.

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 sixth 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, 2007. 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, 2006.

The financial statements for the year ended June 30, 2007 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 statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparison between fiscal year 2006/07 and fiscal year 2005/06.

FINANCIAL HIGHLIGHTS

- The primary government has net assets in governmental activities totaling \$323 million at June 30, 2007.
- Business-type activities have a restricted net asset surplus of \$25 million.
- The net assets the District's business-type activity for Food Services decreased by 8% mainly due to an increase in food costs and an increase emphasis on serving fresh foods.
- The total net assets of the District increased by \$101 million during fiscal year 2006/07. The increases are attributed to one-time entitlement funding from the state, but not spent during fiscal year 2006-07. Also, the District has continued to construct new capital assets as a result of Measure "K" bond funding.
- Fund balance of the District's governmental funds increased by \$74 million resulting in an ending fund balance of \$210 million. The majority of the increase is a result of a new issuance in Measure "K", State funds given as entitlements, health costs increasing at a slower pace and receiving one time revenues.
- At the end of the 2006/07 fiscal year, the fund surplus in the District's Unrestricted General Fund increased by \$31.2 million. This was due mainly to the District receiving unanticipated one time funds and State funds given as entitlements.
- The District's long-term obligations increased by \$21 million to \$331 million as a result of a new issuance of general obligation bonds.
- The District's financial position improved during the 2006/07 fiscal year as reflected by Standard and Poor's credit rating of AAA from A+. This upgrade is a result of the likelihood of repayment of principal and interest based on the bond insurance policy.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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
- 3.) Notes to the basic financial statements.

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

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

The District maintains 12 different governmental funds. The major funds are the General, State School Building and Building Funds. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled All Non-Major Funds. Individual fund information for the non-major funds is presented in the Supplementary Information section.

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

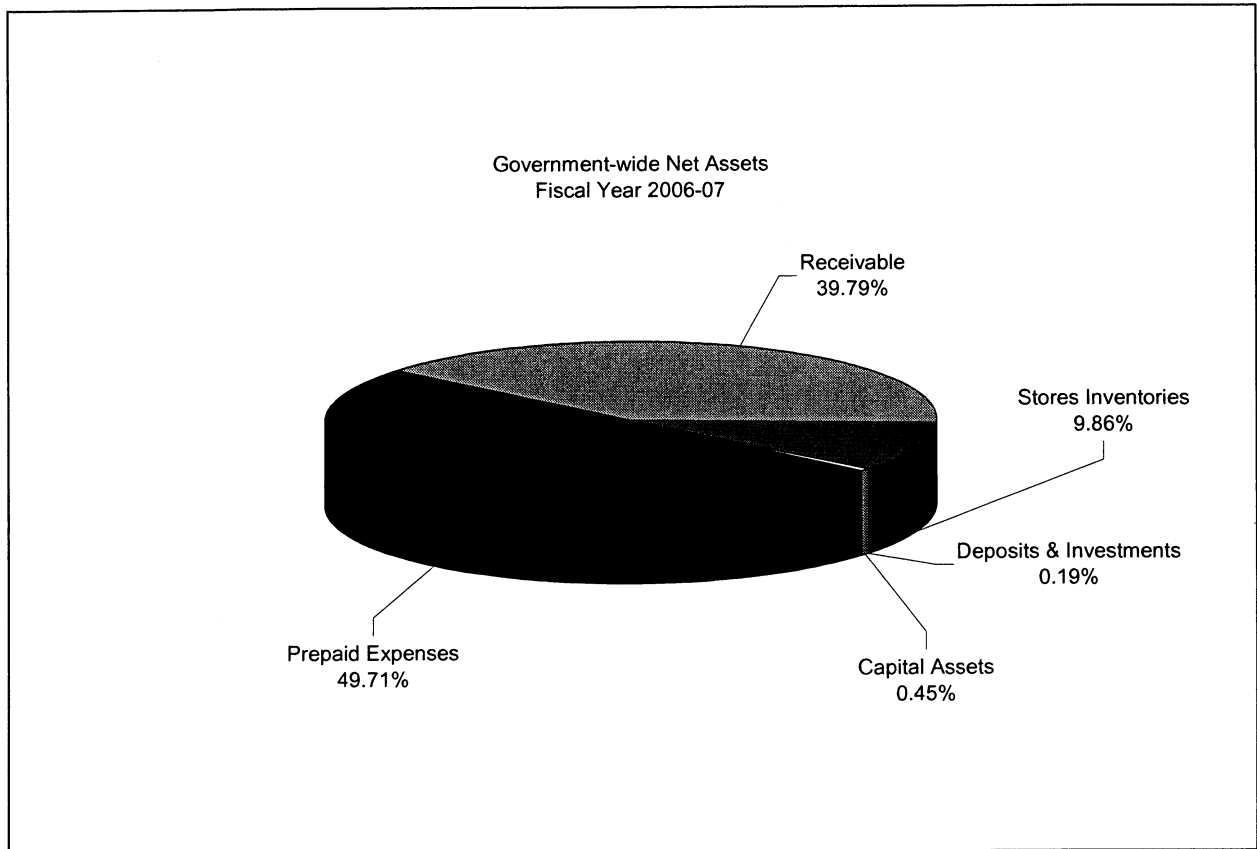
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Change
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$ 395,049,828	\$ 303,803,074	\$ 25,308,547	\$ 26,473,928	\$ 420,358,375	\$ 330,277,002	27.3%
Capital assets	414,746,705	388,875,343	715,621	757,125	415,462,326	389,632,468	6.6%
Total Assets	809,796,533	692,678,417	26,024,168	27,231,053	835,820,701	719,909,470	16.1%
Current liabilities	155,455,105	162,168,830	1,498,966	720,447	156,954,071	162,889,277	-3.6%
Long-term liabilities	330,935,593	309,716,648			330,935,593	309,716,648	6.9%
Total Liabilities	486,390,698	471,885,478	1,498,966	720,447	487,889,664	472,605,925	3.2%
Net assets invested in capital assets, net of related debt	91,991,659	86,378,234	715,621	757,125	92,707,280	87,135,359	6.4%
Restricted	185,432,266	122,908,583	23,809,581	25,753,481	209,241,847	148,662,064	40.7%
Unrestricted	45,981,910	11,506,122			45,981,910	11,506,122	299.6%
Total Net Assets	\$ 323,405,835	\$ 220,792,939	\$ 24,525,202	\$ 26,510,606	\$ 347,931,037	\$ 247,303,545	40.7%



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Government-wide Net Assets

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, deferred revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2006/07 fiscal year. Long-term liabilities such as general obligation bonds, Certificates of Participation (COPs), capitalized lease obligations, QZABs 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 \$323 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$415 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 75,903 public school students represents 50% of the District's total assets. The table and chart above summarizes the District's government-wide net assets.

The District's Business-type activity decreased net assets by \$1,985,404. The Business-type activity accounts for 7% of the District's net assets. Key elements that highlight the activities in 2006/07 fiscal year are as follows:

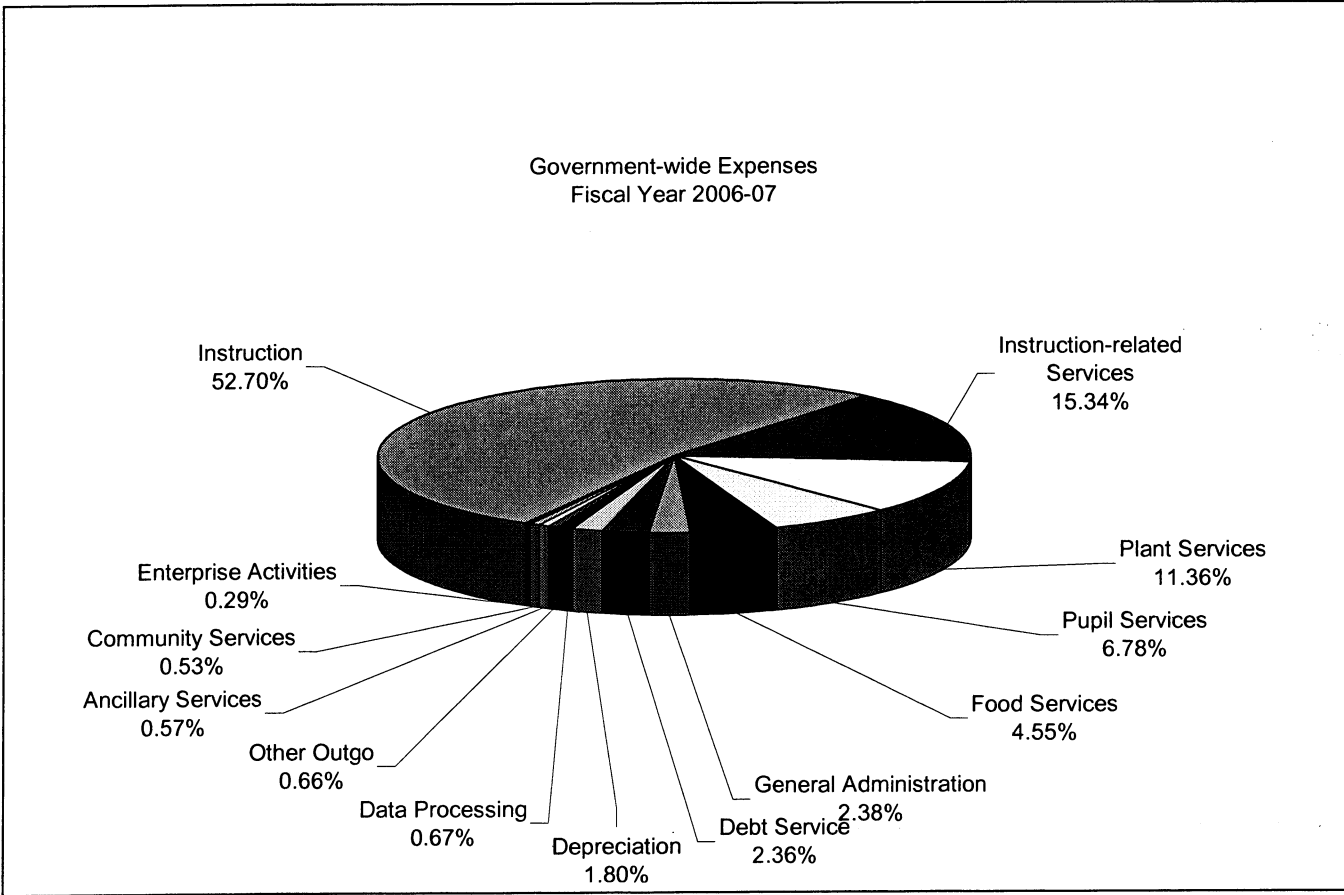
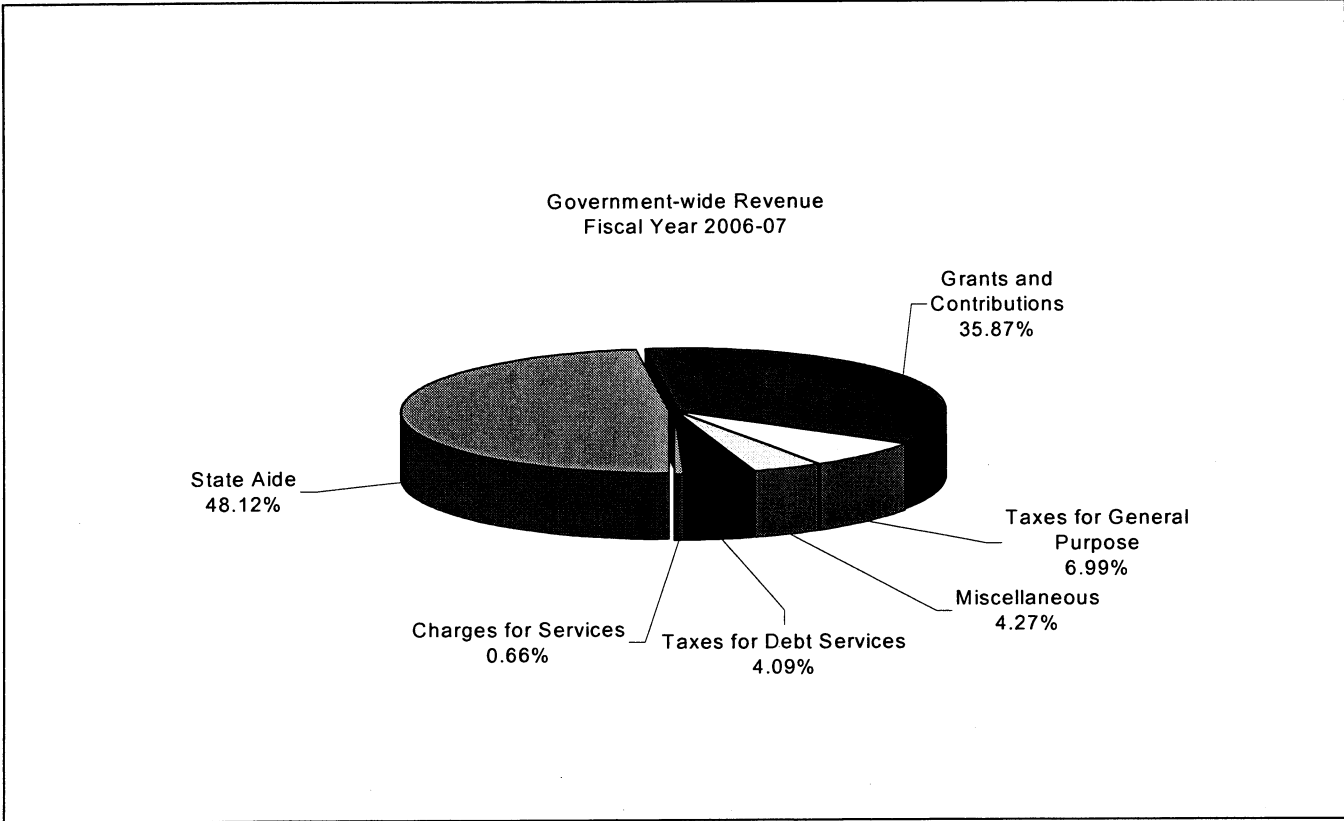
- The Cafeteria Fund provided over 21,300 breakfasts and 53,628 lunches and 6,981 snacks a day during the fiscal year (An 11.5% increase in meals served from the prior year). Fresno Unified had an 80% student population qualify for free or reduced price meals. Meals are served at 101 locations, utilizing 528 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- 79 of the District's schools qualify for Provision 2 status due to the poverty level at these schools (an increase of 14 schools from the prior year). This allows Food Services to provide meals to all enrolled students free of charge at these sites.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		Change
	2007	2006	2007	2006	2007	2006	
Program Revenues							
Charges for Services	\$ 3,689,801	\$ 3,735,453	\$1,702,773	\$2,034,414	\$5,392,574	\$5,769,867	-6.5%
Operating Grants & Contributions	243,012,306	214,202,859	\$28,603,925	\$27,626,795	271,616,231	241,829,654	12.3%
Capital Grants and Contributions	19,268,637	62,750			19,268,637	62,750	30607.0%
General Revenues							
Taxes and Subventions	89,814,851	76,151,378			89,814,851	76,151,378	17.9%
Federal and State Aid, Unrestricted	390,234,861	369,815,981			390,234,861	369,815,981	5.5%
Interagency Revenues	3,542,483	2,258,312			3,542,483	2,258,312	56.9%
Interest and Investment Earnings	10,239,018	7,217,477			10,239,018	7,217,477	41.9%
Other General Revenues	20,857,678	10,923,541			20,857,678	10,923,541	90.9%
Total Revenues	780,659,635	684,367,751	30,306,698	29,661,209	810,966,333	714,028,960	13.6%
Expenses							
Instructional Related	483,284,549	459,375,477			483,284,549	459,375,477	5.2%
Student Support Services	48,191,969	41,650,450			48,191,969	41,650,450	15.7%
General Administrative	21,679,341	21,680,313			21,679,341	21,680,313	0.0%
Maintenance and Operations	80,659,728	64,709,852			80,659,728	64,709,852	24.6%
Depreciation	12,779,451	20,549,966			12,779,451	20,549,966	-37.8%
Other	31,451,701	37,954,781			31,451,701	37,954,781	-17.1%
Enterprise Activities			32,292,102	28,410,304	32,292,102	28,410,304	13.7%
Total Expenses	678,046,739	645,920,839	32,292,102	28,410,304	710,338,841	674,331,143	5.3%
Change in Net Assets	\$ 102,612,896	\$ 38,446,912	\$(1,985,404)	\$1,250,905	\$ 100,627,492	\$ 39,697,817	153.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 2006/07.

- The Building Fund's fund balance increased by \$32.7 million mainly due to the issuance of Measure K series E for \$35.0 million. The total funding spent on projects total \$34.0 million (Measure A -\$1.7 million, Measure K - \$28.1 million, and Year Round Air Conditioning - \$4.0 million. The fund is operating as anticipated.
- The Building Fund's major projects and activities include the following:
 - Construction of Williams Elementary \$ 13.7 million
 - Construction of Olmos Elementary \$ 12.1 million
 - Year Round Air Conditioning Projects \$ 4.0 million
 - Completion of Muir Cafeteria \$ 1.6 million
 - Modernization Projects for the following sites: Kirk, Fresno High Heaton, Awahnee, Fremont, Dailey, and Lincoln \$ 1.0 million
 - Playground installation in phases at 36 sties \$ 0.4 million

Financial Analysis of the District's Governmental Funds

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

The General Fund is the chief operating fund of the District. Student enrollment decreased by 1,817 students during the fiscal year according to the October 2006 CBEDS data. The average daily funded attendance for fiscal year 2006/07 decreased 1,993 from the 2005/06 fiscal year. This decrease amounts to approximately \$11.1 million.

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

General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2006/07, Fresno Unified spent 59.56% towards classroom compensation.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

The District was required to presented 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 \$64.7 million. The actual ending balance was \$65.7 million. The difference of \$1.0 million is mainly due to increased local income and lottery of \$3.3 million and increased expenditures in classified salaries, utilities and indirect costs of \$2.3 million.

Capital Assets and Long-Term Liabilities

Schedule of Capital Assets

Governmental Activities, Capital Assets	2007	2006	\$ Change	% Change
Land	\$ 46,552,426	\$ 46,069,119	\$ 483,307	1.0%
Work-in-process	58,342,875	37,960,311	20,382,564	53.7%
Land improvements	27,568,393	26,430,146	1,138,247	4.3%
Buildings	456,674,231	442,055,574	14,618,657	3.3%
Equipment	24,078,597	22,050,559	2,028,038	9.2%
Capital Assets, cost	613,216,522	574,565,709	38,650,813	6.7%
Accumulated Depreciation	(198,469,817)	(185,690,366)	(12,779,451)	6.9%
Governmental Activities Capital Assets, net	<u>\$414,746,705</u>	<u>\$388,875,343</u>	<u>\$25,871,362</u>	<u>6.7%</u>
Business-Type Activities, Capital Assets				
Equipment	\$ 3,512,751	\$ 3,403,850	\$ 108,901	3.2%
Accumulated Depreciation	(2,797,130)	(2,646,725)	(150,405)	5.7%
Business-Type Activities Capital Assets, net	<u>\$ 715,621</u>	<u>\$ 757,125</u>	<u>\$ (41,504)</u>	<u>-5.5%</u>

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2007 was \$415 million (net of accumulated depreciation).

Capital assets include land, land improvements, buildings, equipment, and work-in- progress. Capital assets experienced relatively no change in both the business-type activities. Capital assets continued to grow in the governmental activities as District-wide construction continued as a result of Measure "K" bond funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Summary of Long-Term Liabilities

	<u>2007</u>	<u>2006</u>	<u>\$ Change</u>	<u>% Change</u>
General Obligation Bonds	\$273,793,742	\$245,103,742	\$28,690,000	11.7%
Certificates of Participation	48,285,000	56,325,000	(8,040,000)	-14.3%
Capitalized Lease Obligations	676,304	1,068,367	(392,063)	-36.7%
QZABs	4,879,671	4,178,245	701,426	16.8%
Compensated Absences	3,300,876	3,041,294	259,582	8.5%
Total Long-Term Liabilities	<u>\$330,935,593</u>	<u>\$309,716,648</u>	<u>\$21,218,945</u>	<u>6.9%</u>

At June 30, 2007, the District had total bonded debt outstanding of \$274 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 \$54 million still outstanding at the end of the 2006/07 fiscal year.

Total long-term debt for the District increased \$21.2 million during the 2006/07 fiscal year due mainly to a new issuance of \$35 million in July 2006.

The District's credit rating from Standards and Poor's for general obligation debt improved from an A+ to AAA.

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 \$84 million less than the maximum amount.

Economic Factors and Budgets and Rates for 2007/08

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 27, 2007, the Board approved an Adopted Budget for fiscal year 2007/08. The Adopted Budget includes the 4.7% reserve.

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

State Revenues

- State Cost of Living Adjustment (COLA) of 4.53% on the Revenue Limit
- COLA of 2.96% on Special Education
- No Equalization revenue
- Declining enrollment – approximately \$5.5 million

Restricted Revenues

- Most State categorical programs will receive COLA, but adjusted for declining enrollment
- Quality Education Investment Act - \$10.9 million for 19 schools
- Title I reduced by 2.5%
- Title III reduced by 10.5%
- Safe and Drug Free Schools reduced by 9.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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
- Projected ADA decline of 1,400
- Reserve funds for positions needed if enrollment decline is less than projected of \$2.0 million
- Benefit Rates
 - Increase the Health rate by the effective COLA for 2007/08 of 2.12%
 - Workers' Compensation and Liability Insurance rates remained the same at 2.5% and .81% respectively
- Restricted Routine Maintenance requirement to be funded at 3% of the General Fund (an increase of \$1.8 million from 2006/07)
- Ongoing Program Development of approximately \$4.5 million

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

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, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash (Note 2)	\$ 311,316,880	\$ 21,262,223	\$ 332,579,103
Accounts receivable	74,118,479	8,298,493	82,416,972
Due from (to) other funds (Note 3)	5,220,539	(5,220,539)	
Prepaid expenses and other current assets	1,487,934	73,548	1,561,482
Stores inventory	2,905,996	894,822	3,800,818
Capital assets, net of accumulated depreciation (Note 4)	<u>414,746,705</u>	<u>715,621</u>	<u>415,462,326</u>
Total assets	<u>809,796,533</u>	<u>26,024,168</u>	<u>835,820,701</u>
LIABILITIES			
Accounts payable and other current liabilities	85,118,500	1,498,966	86,617,466
Deferred revenue	23,316,825		23,316,825
Self-Insurance claims liability (Note 5)	47,019,780		47,019,780
Long-term liabilities (Note 6):			
Due within one year	21,833,451		21,833,451
Due after one year	<u>309,102,142</u>		<u>309,102,142</u>
Total liabilities	<u>486,390,698</u>	<u>1,498,966</u>	<u>487,889,664</u>
NET ASSETS			
Invested in capital assets, net of related debt	91,991,659	715,621	92,707,280
Restricted (Note 7)	185,432,266	23,809,581	209,241,847
Unrestricted	<u>45,981,910</u>		<u>45,981,910</u>
Total net assets	<u>\$ 323,405,835</u>	<u>\$ 24,525,202</u>	<u>\$ 347,931,037</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, 2007

	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	\$ 374,319,666	\$ 134,816,075	\$ 19,268,637	\$ (218,771,182)		\$ (218,771,182)
Instruction-related services:						
Supervision of instruction	57,658,897	53,802,266		(3,371,122)		(3,371,122)
Instructional library, media and technology	10,333,453	1,365,543		(8,967,889)		(8,967,889)
School site administration	40,972,533	4,383,672		(36,380,876)		(36,380,876)
Pupil services:						
Home-to-school transportation	14,273,794	5,876,440		(7,605,545)		(7,605,545)
Food services	43,872	23,735		(20,137)		(20,137)
All other pupil services	33,874,303	20,104,701		(13,331,528)		(13,331,528)
General administration:						
Data processing	4,739,318			(4,739,318)		(4,739,318)
All other general administration	16,940,023	7,732,767		(9,036,933)		(9,036,933)
Plant services	80,659,728	5,588,984		(74,994,991)		(74,994,991)
Ancillary services	4,076,574	199,211		(3,876,982)		(3,876,982)
Community services	3,792,841	2,560,698		(1,194,820)		(1,194,820)
Enterprise activities	2,093,135	604,274		(1,470,163)		(1,470,163)
Interest on long-term liabilities	16,786,450			(16,786,450)		(16,786,450)
Other outgo	4,702,701	5,953,940		1,251,392		1,251,392
Depreciation (unallocated) (Note 4)	12,779,451			(12,779,451)		(12,779,451)
Business-type activities:						
Food services	30,649,995	27,149,369			(1,884,442)	(1,884,442)
All other general administration	1,238,994	1,097,484			(76,177)	(76,177)
Plant services	249,836	221,303			(15,359)	(15,359)
Enterprise services	153,277	135,769			(9,426)	(9,426)
Total governmental and business-type activities	\$ 710,338,841	\$ 271,616,231	\$ 19,268,637	(412,075,995)	(1,985,404)	(414,061,399)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				56,667,365		56,667,365
Taxes levied for debt service				33,147,486		33,147,486
Federal and state aid not restricted to specific purposes				390,234,861		390,234,861
Interest and investment earnings				10,239,018		10,239,018
Interagency revenues				3,542,483		3,542,483
Miscellaneous				20,857,678		20,857,678
Total general revenues				514,688,891		514,688,891
Change in net assets				102,612,896	(1,985,404)	100,627,492
Net assets, July 1, 2006				220,792,939	26,510,606	247,303,545
Net assets, June 30, 2007				\$ 323,405,835	\$ 24,525,202	\$ 347,931,037

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

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2007

	<u>General Fund</u>	<u>State School Building Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 85,780,113	\$ 21,761,255	\$ 45,245,389	\$ 63,800,301	\$ 216,587,058
Cash in revolving fund	202,054				202,054
Cash on hand and in banks				5,000	5,000
Cash awaiting deposit	60,858			3,892	64,750
Cash with Fiscal Agent				9,550,284	9,550,284
Accounts receivable:					
Federal government	23,676,606			655,261	24,331,867
State government	36,070,060			935,390	37,005,450
Local government and other	5,096,582	260,945	545,899	1,734,177	7,637,603
Prepaid expenditures	32,023				32,023
Other current assets	19,622			155,012	174,634
Due from other funds	75,186,222	6,126,087	8,246,381	29,882,019	119,440,709
Stores inventory	<u>2,745,363</u>			<u>160,633</u>	<u>2,905,996</u>
Total assets	<u>\$ 228,869,503</u>	<u>\$ 28,148,287</u>	<u>\$ 54,037,669</u>	<u>\$ 106,881,969</u>	<u>\$ 417,937,428</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 58,089,290	\$ 4,724,515	\$ 7,200	\$ 8,385,960	\$ 71,206,965
Deferred revenue	8,500,138	14,816,687			23,316,825
Due to other funds	<u>69,445,198</u>	<u>8,607,085</u>	<u>8,087,985</u>	<u>27,762,218</u>	<u>113,902,486</u>
Total liabilities	136,034,626	28,148,287	8,095,185	36,148,178	208,426,276
Fund balances	<u>92,834,877</u>		<u>45,942,484</u>	<u>70,733,791</u>	<u>209,511,152</u>
Total liabilities and fund balances	<u>\$ 228,869,503</u>	<u>\$ 28,148,287</u>	<u>\$ 54,037,669</u>	<u>\$ 106,881,969</u>	<u>\$ 417,937,428</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, 2007

Total fund balances - Governmental Funds		\$ 209,511,152
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 \$613,216,522 and the accumulated depreciation is \$198,469,817 (Note 4).		414,746,705
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, 2007 consisted of (Note 6):		
General Obligation Bonds	\$ (273,793,742)	
Certificates of Participation	(48,285,000)	
Capitalized lease obligations	(676,304)	
Qualified Zone Academy Bonds	(4,879,671)	
Compensated absences	<u>(3,300,876)</u>	
		(330,935,593)
Internal service funds are included in the government-wide financial statements.		38,099,432
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.		574,085
Unmatured interest on long-term liabilities is recognized in the period incurred.		<u>(8,589,946)</u>
Total net assets - governmental activities		<u>\$ 323,405,835</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, 2007

	General Fund	State School Building Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	\$ 347,339,374			\$ 9,524,077	\$ 356,863,451
Local sources	56,671,824				56,671,824
Total revenue limit	404,011,198			9,524,077	413,535,275
Federal sources	93,468,361			1,379,315	94,847,676
Other state sources	167,677,958	\$ 2,975,862		25,223,765	195,877,585
Other local sources	31,867,061	1,026,771	\$ 2,767,695	41,243,155	76,904,682
Total revenues	697,024,578	4,002,633	2,767,695	77,370,312	781,165,218
Expenditures:					
Certificated salaries	308,903,725			8,607,692	317,511,417
Classified salaries	94,463,827			3,336,587	97,800,414
Employee benefits	151,713,723			3,774,704	155,488,427
Books and supplies	38,565,845		45,456	2,651,046	41,262,347
Contract services and operating expenditures	45,589,999		1,114,424	18,674,332	65,378,755
Capital outlay	1,723,210		30,563	28,546,865	30,300,638
Other outgo	4,172,702				4,172,702
Debt service:					
Principal retirement	299,774		9,625,000	14,972,289	24,897,063
Interest	16,930			16,255,869	16,272,799
Total expenditures	645,449,735		10,815,443	96,819,384	753,084,562
Excess (deficiency) of revenues over (under) expenditures	51,574,843	4,002,633	(8,047,748)	(19,449,072)	28,080,656
Other financing sources (uses):					
Operating transfers in	5,208,274	2,165		21,834,381	27,044,820
Operating transfers out	(6,650,767)	(4,004,798)	(4,429,206)	(10,721,055)	(25,805,826)
Proceeds from sale of bonds			45,155,000		45,155,000
Total other financing sources (uses)	(1,442,493)	(4,002,633)	40,725,794	11,113,326	46,393,994
Net change in fund balances	50,132,350		32,678,046	(8,335,746)	74,474,650
Fund balances, July 1, 2006	42,702,527		13,264,438	79,069,537	135,036,502
Fund balances, June 30, 2007	\$ 92,834,877	\$ -	\$ 45,942,484	\$ 70,733,791	\$ 209,511,152

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, 2007

Net change in fund balances - Total Governmental Funds		\$ 74,474,650
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).	\$ (45,856,426)	
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).	24,897,063	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	38,650,813	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(12,779,451)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	201,104	
Activities of the internal service fund are reported with governmental activities.	22,735,640	
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.	549,085	
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>(259,582)</u>	<u>28,138,246</u>
Change in net assets of governmental activities		<u>\$ 102,612,896</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, 2007

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 371,033,179	\$ 367,938,681	\$ 347,339,374	\$ (20,599,307)
Local sources	<u>36,464,667</u>	<u>36,464,667</u>	<u>56,671,824</u>	<u>20,207,157</u>
Total revenue limit	<u>407,497,846</u>	<u>404,403,348</u>	<u>404,011,198</u>	<u>(392,150)</u>
Federal sources	106,837,113	111,305,781	93,468,361	(17,837,420)
Other state sources	131,414,156	175,211,466	167,677,958	(7,533,508)
Other local sources	<u>13,161,698</u>	<u>32,031,325</u>	<u>31,867,061</u>	<u>(164,264)</u>
Total revenues	<u>658,910,813</u>	<u>722,951,920</u>	<u>697,024,578</u>	<u>(25,927,342)</u>
Expenditures:				
Certificated salaries	319,989,714	317,839,763	308,903,725	8,936,038
Classified salaries	89,072,644	94,181,813	94,463,827	(282,014)
Employee benefits	155,950,512	159,527,490	151,713,723	7,813,767
Books and supplies	42,105,354	77,729,197	38,565,845	39,163,352
Contract services and operating expenditures	45,679,547	52,652,946	45,589,999	7,062,947
Capital outlay	5,964,001	9,153,462	1,723,210	7,430,252
Other outgo	3,682,174	3,709,581	4,172,702	(463,121)
Debt service:				
Principal retirement	819,782	819,782	299,774	520,008
Interest			<u>16,930</u>	<u>(16,930)</u>
Total expenditures	<u>663,263,728</u>	<u>715,614,034</u>	<u>645,449,735</u>	<u>70,164,299</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,352,915)</u>	<u>7,337,886</u>	<u>51,574,843</u>	<u>44,236,957</u>
Other financing sources (uses):				
Operating transfers in	5,111,846	5,123,023	5,208,274	85,251
Operating transfers out	<u>(3,188,395)</u>	<u>(4,167,815)</u>	<u>(6,650,767)</u>	<u>(2,482,952)</u>
Total other financing sources (uses)	<u>1,923,451</u>	<u>955,208</u>	<u>(1,442,493)</u>	<u>(2,397,701)</u>
Net change in fund balance	(2,429,464)	8,293,094	50,132,350	41,839,256
Fund balance, July 1, 2006	<u>42,702,527</u>	<u>42,702,527</u>	<u>42,702,527</u>	
Fund balance, June 30, 2007	<u>\$ 40,273,063</u>	<u>\$ 50,995,621</u>	<u>\$ 92,834,877</u>	<u>\$ 41,839,256</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, 2007

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 82,905,401
Cash on hand and in banks	2,000,000
Cash in revolving fund	2,333
Accounts receivable:	
Local government and other	5,143,559
Due from other funds	3,030,666
Prepaid expenditures and expenses	677,269
Other current assets	<u>29,923</u>
Total assets	<u>93,789,151</u>

LIABILITIES

Current liabilities:	
Accounts payable	5,321,589
Due to other funds	<u>3,348,350</u>
Total current liabilities	8,669,939
Self insurance claims liability	<u>47,019,780</u>
Total liabilities	<u>55,689,719</u>

NET ASSETS

Restricted	<u><u>\$ 38,099,432</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, 2007

Operating revenues:	
Self-insurance premiums	<u>\$ 130,807,593</u>
Operating expenses:	
Certificated salaries	26,494
Classified salaries	909,976
Employee benefits	407,999
Books and supplies	30,600
Contract services	<u>110,136,059</u>
Total operating expenses	<u>111,511,128</u>
Operating income	19,296,465
Non-operating revenue (expense):	
Interest income	<u>3,439,175</u>
Change in net assets	22,735,640
Total net assets, July 1, 2006	<u>15,363,792</u>
Total net assets, June 30, 2007	<u><u>\$ 38,099,432</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, 2007

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 118,827,848
Cash received from user charges	6,161,553
Cash paid for employee benefits	(106,632,786)
Cash paid for salaries	(1,344,469)
Cash paid for other expenses	<u>(30,600)</u>
Net cash provided by operating activities	16,981,546
Cash flows provided by investing activities:	
Interest income received	<u>3,439,175</u>
Increase in cash and cash equivalents	20,420,721
Cash and cash equivalents, July 1, 2006	<u>64,487,013</u>
Cash and cash equivalents, June 30, 2007	<u><u>\$ 84,907,734</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 19,296,465</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(4,578,617)
Amount due from other funds	(1,239,575)
Prepaid expenses	15,544
Increase in:	
Accounts payable	186,108
Amount due to other funds	632,855
Unpaid claims and claim adjustment expenses	<u>2,668,766</u>
Total adjustments	<u>(2,314,919)</u>
Net cash provided by operating activities	<u><u>\$ 16,981,546</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, 2007

ASSETS

Cash:		
Cash in County Treasury		\$ 11,261,642
Cash on hand and in banks		10,000,010
Cash in revolving fund		418
Cash awaiting deposit		153
Accounts receivable:		
Federal government		6,983,743
Local government and other		1,314,750
Due from other funds		458,945
Stores inventory		894,822
Prepaid expenditures and expenses		10,000
Other current assets		63,548
Capital assets		3,512,751
Less accumulated depreciation		<u>(2,797,130)</u>
Total assets		<u>31,703,652</u>

LIABILITIES

Current liabilities:		
Accounts payable		1,498,966
Due to other funds		<u>5,679,484</u>
Total liabilities		<u>7,178,450</u>

NET ASSETS

Invested in capital assets		715,621
Restricted		<u>23,809,581</u>
Total net assets		<u><u>\$ 24,525,202</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, 2007

Operating revenues:	
Federal revenues	\$ 25,783,811
Other state revenues	1,825,576
Other local revenues	<u>1,850,098</u>
Total operating revenues	<u>29,459,485</u>
Operating expenses:	
Classified salaries	9,463,832
Employee benefits	6,501,971
Books and supplies	13,765,534
Contract services	1,171,367
Depreciation	<u>150,405</u>
Total operating expenses	<u>31,053,109</u>
Operating loss	<u>(1,593,624)</u>
Non-operating revenue (expense):	
Interest income	847,214
Interfund transfer (Note 3)	<u>(1,238,994)</u>
Total non-operating revenue (expense)	<u>(391,780)</u>
Change in net assets	(1,985,404)
Total net assets, July 1, 2006	<u>26,510,606</u>
Total net assets, June 30, 2007	<u><u>\$ 24,525,202</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, 2007

Cash flows from operating activities:	
Cash received from food sales	\$ 1,850,098
Cash received from Child Nutrition Programs	24,229,834
Cash paid for operating expenses	<u>(27,906,787)</u>
Net cash used in operating activities	<u>(1,826,855)</u>
Cash flows used in financing activities:	
Cash paid for capital assets	<u>(108,901)</u>
Cash flows provided by investing activities:	
Interest income received	<u>847,214</u>
Decrease in cash and cash equivalents	(1,088,542)
Cash and cash equivalents, July 1, 2006	<u>22,350,765</u>
Cash and cash equivalents, June 30, 2007	<u><u>\$ 21,262,223</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (1,593,624)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	150,405
(Increase) decrease in:	
Accounts receivable	(3,379,553)
Amount due from other funds	(180,876)
Inventory	428,733
Other assets	(42,524)
Increase in:	
Accounts payable	778,519
Amount due to other funds	<u>2,012,065</u>
Total adjustments	<u>(233,231)</u>
Net cash used in operating activities	<u><u>\$ (1,826,855)</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, 2007

ASSETS

Cash on hand and in banks (Note 2)	\$ 2,255,277
Stores inventory	<u>75,786</u>
Total assets	<u>\$ 2,331,063</u>

LIABILITIES

Due to student groups	<u>\$ 2,331,063</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, 2007, 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*.

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

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

2 - Special Revenue Funds:

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

3 - Capital Projects Funds:

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

4 - Debt Service Fund:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Proprietary Funds

1 - Self-Insurance Fund:

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

2 - Cafeteria Fund:

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

C - Fiduciary Fund Type

1 - Student Body Fund:

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

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

Inventory

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

Cafeteria Food Purchases

The Cafeteria Fund statement of revenues and expenditures reflects supplies expense of \$13,765,534. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

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

Interfund Activity

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of \$3,300,876 is for the earned but unused benefits.

Accumulated Sick Leave

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

Deferred Revenue

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

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not 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.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Eliminations and Reclassifications

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

Estimates

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

2. CASH AND INVESTMENTS

Cash at June 30, 2007 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 216,587,058	\$ 82,905,401	\$ 299,492,459	\$ 11,261,642	
Cash awaiting deposit	64,750		64,750	153	
Total pooled funds	216,651,808	82,905,401	299,557,209	11,261,795	
Deposits:					
Cash on hand and in banks	5,000	2,000,000	2,005,000	10,000,010	\$ 2,255,277
Cash in revolving fund	202,054	2,333	204,387	418	
Total deposits	207,054	2,002,333	2,209,387	10,000,428	2,255,277
Cash with Fiscal Agent	9,550,284		9,550,284		
Total cash and cash equivalents	\$ 226,409,146	\$ 84,907,734	\$ 311,316,880	\$ 21,262,223	\$ 2,255,277

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

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

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

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2007, 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, 2007, the carrying amount of the District's accounts was \$14,465,092, and the bank balances were \$14,732,038. Of the bank balances, \$812,041 was covered by the FDIC or NCUA insurance and \$13,919,997 was uninsured but collateralized.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2007, 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.

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

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2007 were as follows:

Fund	Interfund Receivables	Interfund Payables
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 75,186,222	\$ 69,445,198
State School Building	6,126,087	8,607,085
Building	8,246,381	8,087,985
Non-Major Funds:		
Adult Education	1,467,149	3,514,265
Child Development	374,920	2,919,360
Deferred Maintenance	4,307,349	1,459,458
Capital Facilities	5,546	581,266
County School Facilities	13,938,827	9,072,574
Special Reserve for Capital Outlay	6,687,069	7,133,636
Bond Interest and Redemption	3,081,659	3,081,659
Tax Override	19,500	
Proprietary Fund:		
Self-Insurance	3,030,666	3,348,350
<u>Business-Type Activities</u>		
Cafeteria Fund	458,945	5,679,484
Totals	\$122,930,320	\$122,930,320

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 2006-07 fiscal year were as follows:

Transfer from the Tax Override Fund to the COP Debt Service Fund for payment on Certificates of Participation.	\$ 9,912,127
Transfer from the State School Building Fund to the County School Facilities Fund for air conditioning projects.	4,004,798
Transfer from the General Fund to the Deferred Maintenance Fund for Williams Lawsuit.	3,421,829
Transfer from the General Fund to the Deferred Maintenance Fund for the required state match.	3,188,395
Transfer from the Building Fund to the General Fund to contribute to restricted routine maintenance.	3,188,395
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,238,994
Transfer from the Building Fund to the County School Facilities Fund for the match of Office of Public School Construction Fund.	838,659
Transfer from the Adult Education Fund to the General Fund for indirect costs.	468,784
Transfer from the Building Fund to the Special Reserve for Capital Outlay Fund to correct reimbursement charged to projects.	300,457
Transfer from the Child Development Fund to the General Fund for indirect costs.	227,388
Transfer from the Building Fund to the Bond Interest and Redemption Fund for the proceeds from the sale of the bond.	101,695
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	84,713
Transfer from the General Fund to the Special Reserve for Capital Outlay to reimburse for Williams Lawsuit.	37,107
Transfer from the Special Reserve for Capital Outlay to the County School Facilities Fund for the match of Office of Public School Construction.	25,878
Transfer from the General Fund to the Capital Facilities Fund to reimburse for Williams Lawsuit.	3,436
Transfer from the Special Reserve for Capital Outlay to the State School Building Fund for air conditioning projects.	<u>2,165</u>
	<u><u>\$ 27,044,820</u></u>

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

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2007 is shown below:

	Balance July 1, 2006	Transfers and Additions	Transfers and Deletions	Balance June 30, 2007
<u>Governmental Activities</u>				
Land	\$ 46,069,119	\$ 483,307		\$ 46,552,426
Work-in-process	37,960,311	36,494,368	\$ 16,111,804	58,342,875
Land improvements	26,430,146	1,138,247		27,568,393
Buildings	442,055,574	14,618,657		456,674,231
Equipment	<u>22,050,559</u>	<u>2,028,038</u>		<u>24,078,597</u>
Totals, at cost	<u>574,565,709</u>	<u>54,762,617</u>	<u>16,111,804</u>	<u>613,216,522</u>
Less accumulated depreciation:				
Land improvements	14,284,468	923,954		15,208,422
Buildings	159,382,462	9,635,452		169,017,914
Equipment	<u>12,023,436</u>	<u>2,220,045</u>		<u>14,243,481</u>
Total accumulated depreciation	<u>185,690,366</u>	<u>12,779,451</u>		<u>198,469,817</u>
Governmental activities capital assets, net	<u>\$ 388,875,343</u>	<u>\$ 41,983,166</u>	<u>\$ 16,111,804</u>	<u>\$ 414,746,705</u>
<u>Business-Type Activities</u>				
Equipment	3,403,850	108,901		3,512,751
Less accumulated depreciation	<u>2,646,725</u>	<u>150,405</u>		<u>2,797,130</u>
Business-Type activities capital assets, net	<u>\$ 757,125</u>	<u>\$ (41,504)</u>	<u>\$ -</u>	<u>\$ 715,621</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2007 as follows:

Governmental activities:	
Unallocated	<u>\$ 12,779,451</u>
Business-type activities:	
Cafeteria Fund depreciation expense	<u>\$ 150,405</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2007, the District was self-insured up to \$2,000,000 for each workers' compensation claim and \$250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of \$894,064 is based on an actuarial estimate as of August 17, 2004, discounted at 3.0%. The workers' compensation claims liability of \$37,550,243 is based on an actuarial estimate as of September 7, 2006, discounted at 3.0%. The health claims liability of \$8,575,473 is based on claims lag data from the District's claim system. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the year ended June 30, 2007 were as follows:

	<u>Property and Liability</u>	<u>Workers' Compen- sation</u>	<u>Health</u>	<u>Total</u>
Claims liability at July 1, 2006	\$ 1,363,919	\$ 34,694,683	\$ 8,292,412	\$ 44,351,014
Incurred claims	741,076	9,471,551	93,769,525	103,982,152
Paid claims	<u>(1,210,931)</u>	<u>(6,615,991)</u>	<u>(93,486,464)</u>	<u>(101,313,386)</u>
Claims liability at June 30, 2007	<u>\$ 894,064</u>	<u>\$ 37,550,243</u>	<u>\$ 8,575,473</u>	<u>\$ 47,019,780</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	Outstanding July 1, 2006	Issued Current Year	Redeemed Current Year	Defeased Current Year	Outstanding June 30, 2007
1998 Series A	4.8 - 6.15%	1998	2013	\$ 33,235,000	\$ 25,680,000		\$ 1,115,000		\$ 24,565,000
1998 Refunding Series B Current Interest	5.5 - 6.95%	1998	2022	26,998,742	17,275,000		1,125,000		16,150,000
1999 Refunding Series B Capital Appreciation	5.5 - 6.95%	1998	2022		2,903,742		1,245,000		2,903,742
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	33,450,000		1,245,000		32,205,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	61,100,000		950,000		60,150,000
1995 Series H	3.25 - 6.20%	2004	2028	10,060,000	9,850,000		225,000	\$ 9,625,000	
2004 Series A	1.70 - 5.25%	2004	2028	58,040,000	54,180,000		1,680,000		52,500,000
2004 Refunding 1995 Series B	2.0 - 4.25%	2004	2012	10,645,000	9,665,000		500,000		9,165,000
2001 Series D	4.125 - 5.0%	2005	2031	31,000,000	31,000,000				31,000,000
2001 Series E	4.0 - 5.0%	2007	2031	35,000,000		\$ 35,000,000			35,000,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000		10,155,000			10,155,000
				<u>\$ 320,258,742</u>	<u>\$ 245,103,742</u>	<u>\$ 45,155,000</u>	<u>\$ 6,840,000</u>	<u>\$ 9,625,000</u>	<u>\$ 273,793,742</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,545,000	1,205,328	2,750,328
2013-2017	9,475,000	4,392,135	13,867,135
2018-2022	<u>8,285,000</u>	<u>1,008,537</u>	<u>9,293,537</u>
	<u>\$ 24,565,000</u>	<u>\$ 12,267,582</u>	<u>\$ 36,832,582</u>

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,600,000	677,671	2,277,671
2013-2017	<u>9,170,000</u>	<u>1,592,503</u>	<u>10,762,503</u>
	<u>\$ 16,150,000</u>	<u>\$ 5,912,379</u>	<u>\$ 22,062,379</u>

The annual payments required to amortize the 1998 Refunding, Series B, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-2017	\$ 208,735	\$ 516,265	\$ 725,000
2018-2022	<u>2,695,007</u>	<u>8,504,992</u>	<u>11,199,999</u>
	<u>\$ 2,903,742</u>	<u>\$ 9,021,257</u>	<u>\$ 11,924,999</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, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,635,000	1,538,550	3,173,550
2013-2017	10,215,000	6,097,605	16,312,605
2018-2022	13,760,000	2,670,782	16,430,782
2023-2027	<u>820,000</u>	<u>24,190</u>	<u>844,190</u>
	<u>\$ 32,205,000</u>	<u>\$ 17,333,831</u>	<u>\$ 49,538,831</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,595,000	3,260,212	5,855,212
2013-2017	14,580,000	14,222,589	28,802,589
2018-2022	20,300,000	9,255,600	29,555,600
2023-2027	<u>18,330,000</u>	<u>2,524,000</u>	<u>20,854,000</u>
	<u>\$ 60,150,000</u>	<u>\$ 42,804,349</u>	<u>\$ 102,954,349</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, Series A, General Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,000,000	2,218,475	4,218,475
2013-2017	11,535,000	9,739,913	21,274,913
2018-2022	14,845,000	6,662,880	21,507,880
2023-2027	16,735,000	2,489,475	19,224,475
2028-2032	<u>160,000</u>	<u>4,200</u>	<u>164,200</u>
	<u>\$ 52,500,000</u>	<u>\$ 30,678,180</u>	<u>\$ 83,178,180</u>

The annual payments required to amortize the 2004 Refunding, Series 95B, Current Interest General Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	580,000	269,912	849,912
2013-2017	3,290,000	988,060	4,278,060
2018-2022	<u>3,140,000</u>	<u>267,098</u>	<u>3,407,098</u>
	<u>\$ 9,165,000</u>	<u>\$ 2,764,743</u>	<u>\$ 11,929,743</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2005, Series 2001D, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	885,000	1,307,881	2,192,881
2013-2017	5,060,000	5,818,780	10,878,780
2018-2022	6,320,000	4,402,030	10,722,030
2023-2027	7,895,000	2,707,681	10,602,681
2028-2032	<u>7,675,000</u>	<u>694,797</u>	<u>8,369,797</u>
	<u>\$ 31,000,000</u>	<u>\$ 20,576,818</u>	<u>\$ 51,576,818</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 820,000	\$ 1,579,588	\$ 2,399,588
2009	855,000	1,546,088	2,401,088
2010	895,000	1,511,088	2,406,088
2011	940,000	1,474,388	2,414,388
2012	985,000	1,435,888	2,420,888
2013-2017	5,655,000	6,535,835	12,190,835
2018-2022	7,110,000	5,237,894	12,347,894
2023-2027	8,950,000	3,357,500	12,307,500
2028-2032	<u>8,790,000</u>	<u>904,000</u>	<u>9,694,000</u>
	<u>\$ 35,000,000</u>	<u>\$ 23,582,269</u>	<u>\$ 58,582,269</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2008	\$ 405,000	\$ 289,694	\$ 694,694
2009	305,000	427,713	732,713
2010	325,000	407,238	732,238
2011	345,000	385,463	730,463
2012	360,000	362,550	722,550
2013-2017	2,030,000	1,550,125	3,580,125
2018-2022	2,510,000	1,093,869	3,603,869
2023-2027	3,170,000	504,890	3,674,890
2028-2032	705,000	15,421	720,421
	<u>\$ 10,155,000</u>	<u>\$ 5,036,963</u>	<u>\$ 15,191,963</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	Outstanding July 1, 2006	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2007
1997 COPs	4.00 - 5.00%	1998	\$ 20,840,000	\$ 10,640,000		\$ 1,550,000	\$ 9,090,000
1998A Refunding COPs	4.00 - 4.75%	1998	51,930,000	31,140,000		4,525,000	26,615,000
2001 Refunding COPs	4.00 - 4.40%	2001	10,655,000	7,330,000		855,000	6,475,000
2003 Refunding COPs	2.00 - 3.50%	2003	10,380,000	7,215,000		1,110,000	6,105,000
			<u>\$ 93,805,000</u>	<u>\$ 56,325,000</u>	<u>\$ -</u>	<u>\$ 8,040,000</u>	<u>\$ 48,285,000</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, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>2,000,000</u>	<u>50,000</u>	<u>2,050,000</u>
	<u>\$ 9,090,000</u>	<u>\$ 1,160,385</u>	<u>\$ 10,250,385</u>

The annual payments required to amortize the 1998, Series A, Refunding Certificates of Participation outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>5,035,000</u>	<u>239,162</u>	<u>5,274,162</u>
	<u>\$ 26,615,000</u>	<u>\$ 3,718,426</u>	<u>\$ 30,333,426</u>

The annual payments required to amortize the 2001, Refunding Certificates of Participation outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>2,070,000</u>	<u>91,080</u>	<u>2,161,080</u>
	<u>\$ 6,475,000</u>	<u>\$ 961,980</u>	<u>\$ 7,436,980</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, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>1,420,000</u>	<u>49,700</u>	<u>1,469,700</u>
	<u>\$ 6,105,000</u>	<u>\$ 598,823</u>	<u>\$ 6,703,823</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>
2008	\$ 408,992
2009	92,289
2010	92,289
2011	44,953
2012	<u>44,953</u>
Total payments	683,476
Less interest portion	<u>(7,172)</u>
Net minimum lease payments	<u>\$ 676,304</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>
2008	\$ 720,512
2009	760,219
2010	802,178
2011	846,521
2012	893,386
2013-2017	<u>1,169,924</u>
Total payments	5,192,740
Less amount representing interest	<u>(313,069)</u>
Principal due	<u><u>\$ 4,879,671</u></u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2007 is shown below:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 245,103,742	\$ 45,155,000	\$ 16,465,000	\$ 273,793,742	\$ 8,895,000
Certificates of Participation	56,325,000		8,040,000	48,285,000	8,525,000
Capitalized lease obligations	1,068,367		392,063	676,304	392,063
QZABs	4,178,245	701,426		4,879,671	720,512
Compensated absences	<u>3,041,294</u>	<u>259,582</u>		<u>3,300,876</u>	<u>3,300,876</u>
Totals	<u><u>\$ 309,716,648</u></u>	<u><u>\$ 46,116,008</u></u>	<u><u>\$ 24,897,063</u></u>	<u><u>\$ 330,935,593</u></u>	<u><u>\$ 21,833,451</u></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 COP Debt Service Fund. 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, 2007:

	<u>Governmental Activities</u>
Revolving cash fund	\$ 204,387
Prepaid expenditures and other current assets	1,487,934
Inventory	2,905,996
Unspent categorical program revenues	27,083,412
Special revenues	13,358,950
Capital projects	63,411,433
Self-insurance	37,389,907
Debt service	<u>39,590,247</u>
	<u>\$ 185,432,266</u>
	<u>Business-Type Activities</u>
Revolving cash fund	\$ 418
Inventory	894,822
Prepaid expenditures and other current assets	73,548
Food service operations	<u>22,840,793</u>
	<u>\$ 23,809,581</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 2006-2007 was 9.124% 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, 2005, 2006 and 2007 were \$7,638,305, \$7,209,720 and \$7,808,406, 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 2006-2007 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, 2005, 2006 and 2007 were \$24,227,617, \$24,577,956 and \$25,616,463, 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 employees for life if their hire date was prior to July 1, 2005. All employees hired after July 1, 2005 will continue to receive health benefits after retirement if at least age 60 at retirement, and have served the District for 25 years. Benefits will be received up to the age of Medicare coverage. Currently, 3,628 retirees are receiving these benefits. During the year ended June 30, 2007, expenditures of \$30,693,560 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 (the most recent information available):

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. CONTINGENCIES

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

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

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2007

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
ASSETS										
Cash in County Treasury	\$ 8,440,416	\$ 2,026,641	\$ 6,194,348	\$ 13,018,462	\$ 491,446	\$ 4,181,736	\$ 22,933,078	\$ 6,514,174		\$ 63,800,301
Cash on hand and in banks	5,000									5,000
Cash awaiting deposit				3,892		23,858			\$ 9,526,426	3,892
Cash with Fiscal Agent										9,550,284
Accounts receivable:										
Federal government	590,187	65,074								655,261
State government		935,390								935,390
Local government and other	664,261	74,835	93,295	170,042	74,705	54,320	223,749	378,970		1,734,177
Due from other funds	1,467,149	374,920	4,307,349	5,546	13,938,827	6,687,069	3,081,659	19,500		29,882,019
Inventory	160,633									160,633
Other current assets	133,279			1,854	19,879					155,012
	<u>\$ 11,460,925</u>	<u>\$ 3,476,860</u>	<u>\$ 10,594,992</u>	<u>\$ 13,199,796</u>	<u>\$ 14,524,857</u>	<u>\$ 10,946,983</u>	<u>\$ 26,238,486</u>	<u>\$ 6,912,644</u>	<u>\$ 9,526,426</u>	<u>\$ 106,881,969</u>
Total assets										
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 2,590,313	\$ 470,759	\$ 925,760	\$ 524,140	\$ 2,009,585	\$ 1,859,753		\$ 5,650		\$ 8,385,960
Due to other funds	3,514,265	2,919,360	1,459,458	581,266	9,072,574	7,133,636	\$ 3,081,659			27,762,218
	<u>6,104,578</u>	<u>3,390,119</u>	<u>2,385,218</u>	<u>1,105,406</u>	<u>11,082,159</u>	<u>8,993,389</u>	<u>3,081,659</u>	<u>5,650</u>		<u>36,148,178</u>
Total liabilities										
Fund balances	<u>5,356,347</u>	<u>86,741</u>	<u>8,209,774</u>	<u>12,094,390</u>	<u>3,442,698</u>	<u>1,953,594</u>	<u>23,156,827</u>	<u>6,906,994</u>	<u>\$ 9,526,426</u>	<u>70,733,791</u>
	<u>\$ 11,460,925</u>	<u>\$ 3,476,860</u>	<u>\$ 10,594,992</u>	<u>\$ 13,199,796</u>	<u>\$ 14,524,857</u>	<u>\$ 10,946,983</u>	<u>\$ 26,238,486</u>	<u>\$ 6,912,644</u>	<u>\$ 9,526,426</u>	<u>\$ 106,881,969</u>
Total liabilities and fund balances										

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, 2007

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
Revenues:										
Revenue limit sources:										
State apportionment	\$ 9,524,077									\$ 9,524,077
Federal sources	1,284,311	\$ 95,004								1,379,315
Other state sources	5,875,367	5,875,367	\$ 3,116,174		\$ 16,232,224					25,223,765
Other local sources	1,521,159	24,455	348,599	\$ 3,497,610	899,227	\$ 212,116	\$ 25,133,737	\$ 9,124,895	\$ 481,357	41,243,155
Total revenues	<u>12,329,547</u>	<u>5,994,826</u>	<u>3,464,773</u>	<u>3,497,610</u>	<u>17,131,451</u>	<u>212,116</u>	<u>25,133,737</u>	<u>9,124,895</u>	<u>481,357</u>	<u>77,370,312</u>
Expenditures:										
Certificated salaries	5,917,000	2,690,692								8,607,692
Classified salaries	1,669,643	1,261,285		23,581	228,552	153,526				3,336,587
Employee benefits	2,276,539	1,318,834		10,896	103,026	65,409				3,774,704
Books and supplies	820,288	280,749	1,265,058	8,494	276,457					2,651,046
Contract services and operating expenditures	1,849,691	118,962	9,311,290	2,409,276	4,893,700	91,413				18,674,332
Capital outlay				139,241	28,401,625	5,999				28,546,865
Debt service:		92,289								
Principal retirement									8,040,000	8,040,000
Interest							6,840,000		2,377,710	16,255,869
Total expenditures	<u>12,533,161</u>	<u>5,762,811</u>	<u>10,576,348</u>	<u>2,591,488</u>	<u>33,903,360</u>	<u>316,347</u>	<u>20,718,159</u>		<u>10,417,710</u>	<u>96,819,384</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(203,614)</u>	<u>232,015</u>	<u>(7,111,575)</u>	<u>906,122</u>	<u>(16,771,909)</u>	<u>(104,231)</u>	<u>4,415,578</u>	<u>9,124,895</u>	<u>(9,936,353)</u>	<u>(19,449,072)</u>
Other financing sources (uses):										
Operating transfers in	(468,784)	(227,388)	6,610,224	3,436	4,869,335	337,564			9,912,127	21,834,381
Operating transfers out				(84,713)		(28,043)		(9,912,127)		(10,721,055)
Total other financing sources (uses)	<u>(468,784)</u>	<u>(227,388)</u>	<u>6,610,224</u>	<u>(81,277)</u>	<u>4,869,335</u>	<u>309,521</u>	<u>101,695</u>			<u>11,113,326</u>
Net change in fund balances	<u>(672,398)</u>	<u>4,627</u>	<u>(501,351)</u>	<u>824,845</u>	<u>(11,902,574)</u>	<u>205,290</u>	<u>4,517,273</u>	<u>(787,232)</u>	<u>(24,226)</u>	<u>(8,335,746)</u>
Fund balances, July 1, 2006	<u>6,028,745</u>	<u>82,114</u>	<u>8,711,125</u>	<u>11,269,545</u>	<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>79,069,537</u>
Fund balances, June 30, 2007	<u>\$ 5,356,347</u>	<u>\$ 86,741</u>	<u>\$ 8,209,774</u>	<u>\$ 12,094,390</u>	<u>\$ 3,442,698</u>	<u>\$ 1,953,594</u>	<u>\$ 23,156,827</u>	<u>\$ 6,906,994</u>	<u>\$ 9,526,426</u>	<u>\$ 70,733,791</u>

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, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 663,621	\$ 2,782,864	\$ 2,816,707	\$ 629,778
Stores inventory	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 663,621</u>	<u>\$ 2,782,864</u>	<u>\$ 2,816,707</u>	<u>\$ 629,778</u>
Liabilities:				
Due to student groups	<u>\$ 663,621</u>	<u>\$ 2,782,864</u>	<u>\$ 2,816,707</u>	<u>\$ 629,778</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 255,479	\$ 1,047,836	\$ 998,856	\$ 304,459
Stores inventory	<u>23,451</u>	<u>14,688</u>	<u>11,736</u>	<u>26,403</u>
Total assets	<u>\$ 278,930</u>	<u>\$ 1,062,524</u>	<u>\$ 1,010,592</u>	<u>\$ 330,862</u>
Liabilities:				
Due to student groups	<u>\$ 278,930</u>	<u>\$ 1,062,524</u>	<u>\$ 1,010,592</u>	<u>\$ 330,862</u>
<u>Special Programs</u>				
Assets:				
Cash on hand and in banks	\$ 10,052	\$ 1,289	\$ 433	\$ 10,908
Stores inventory	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,052</u>	<u>\$ 1,289</u>	<u>\$ 433</u>	<u>\$ 10,908</u>
Liabilities:				
Due to student groups	<u>\$ 10,052</u>	<u>\$ 1,289</u>	<u>\$ 433</u>	<u>\$ 10,908</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 1,119,599	\$ 3,953,501	\$ 3,762,968	\$ 1,310,132
Stores inventory	<u>16,883</u>	<u>32,580</u>	<u>80</u>	<u>49,383</u>
Total assets	<u>\$ 1,136,482</u>	<u>\$ 3,986,081</u>	<u>\$ 3,763,048</u>	<u>\$ 1,359,515</u>
Liabilities:				
Due to student groups	<u>\$ 1,136,482</u>	<u>\$ 3,986,081</u>	<u>\$ 3,763,048</u>	<u>\$ 1,359,515</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 2,048,751	\$ 7,785,490	\$ 7,578,964	\$ 2,255,277
Stores inventory	<u>40,334</u>	<u>47,268</u>	<u>11,816</u>	<u>75,786</u>
Total assets	<u>\$ 2,089,085</u>	<u>\$ 7,832,758</u>	<u>\$ 7,590,780</u>	<u>\$ 2,331,063</u>
Liabilities:				
Due to student groups	<u>\$ 2,089,085</u>	<u>\$ 7,832,758</u>	<u>\$ 7,590,780</u>	<u>\$ 2,331,063</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2007

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-three 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 District is comprised of approximately 99 square miles. There were no changes to the District's boundaries during the current year.

The Board of Education at June 30, 2007 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Carol Mills, J.D.	President	2008
Valerie F. Davis	Clerk	2010
Michelle A. Asadoorian	Member	2010
Cal Johnson	Member	2010
Manuel G. Nuñez	Member	2008
Janet Ryan	Member	2008
Tony Vang, Ed. D.	Member	2010

The Superintendent's Executive Staff at June 30, 2007 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

Cynthia D. Tucker
Associate Superintendent, School Support Services

Kim Mecum
Associate Superintendent, Human Resources / Labor Relations

Elva Coronado
Assistant Superintendent

Holland Locker
Assistant Superintendent

Dr. Sue Smits
Assistant Superintendent, K-6

Dr. Mabel Franks
Assistant Superintendent, 7-8

John Marinovich
Assistant Superintendent, 9-12

Barbara Bengel
Assistant Superintendent, State and Federal Programs

Deo Persaud
Assistant Superintendent, Operational Services

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2007

	Second Period Report	Annual Report
Elementary:		
Kindergarten	5,327	5,370
First through Third	16,698	16,692
Fourth through Eighth	26,995	26,973
Special Education	1,476	1,487
Community Day School	41	45
Home and Hospital	5	6
Subtotal Elementary	50,542	50,573
Secondary:		
Regular Classes	17,973	17,622
Special Education	831	827
Compulsory Continuation Education	618	612
Home and Hospital	8	10
Non Public Schools	4	3
Subtotal Secondary	19,434	19,074
Charter Schools	1,374	1,386
District subtotal before Adult	71,350	71,033
Adult Education:		
Concurrent Classes	275	318
Non-current Classes	3,581	3,620
Subtotal Adult	3,856	3,938
District Totals	75,206	74,971
Hours of Attendance		
Summer School:		
Elementary	507,631	543,421
Secondary	912,767	973,260
	1,420,398	1,516,681

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2007

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2006-07 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
Grade 1	50,400	43,095	50,400	180	176	In Compliance
Grade 2	50,400	43,095	50,400	180	176	In Compliance
Grade 3	50,400	43,095	50,400	180	176	In Compliance
Grade 4	54,000	54,000	54,154	180	176	In Compliance
Grade 5	54,000	54,000	54,139	180	176	In Compliance
Grade 6	54,000	54,000	54,139	180	176	In Compliance
Grade 7	54,000	54,000	54,448	180	N/A	In Compliance
Grade 8	54,000	54,000	54,448	180	N/A	In Compliance
Grade 9	64,800	54,560	65,065	180	N/A	In Compliance
Grade 10	64,800	54,560	65,065	180	N/A	In Compliance
Grade 11	64,800	54,560	65,065	180	N/A	In Compliance
Grade 12	64,800	54,560	65,065	180	N/A	In Compliance
Sunset Charter School:						
Kindergarten	36,000	N/A	36,900	180	N/A	In Compliance
Grade 1	50,400	N/A	50,400	180	N/A	In Compliance
Grade 2	50,400	N/A	50,400	180	N/A	In Compliance
Grade 3	50,400	N/A	50,400	180	N/A	In Compliance
Grade 4	54,000	N/A	54,355	180	N/A	In Compliance
Grade 5	54,000	N/A	54,355	180	N/A	In Compliance
Grade 6	54,000	N/A	54,355	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, 2007

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Adult Education Cluster:			
84.002	Adult Education: ESL/ESL-Citizenship	13973	\$ 352,670
84.002	Adult Education: Family Literacy	13977	65,024
84.002	Adult Education: Adult Secondary Education	13978	71,550
84.002A	Adult Education: English Literacy and Civics Education	14109	<u>130,983</u>
Subtotal Adult Education Cluster			<u>620,227</u>
NCLB: Title I Cluster:			
84.010	NCLB: Title I Basic Grants, Low Income & Neglected, Part A	13797	49,803,570
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	254,717
84.322A	NCLB: Title I, Part F, Comprehensive School Reform (CSR), II/USP	14325	1,050,060
84.010	NCLB: Title I, Part A, Program Improvement District Intervention	14581	550,746
84.010	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	14579	<u>244,947</u>
Subtotal NCLB: Title I Cluster			<u>51,904,040</u>
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,431,804
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec. 619	13431	2,485
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619 Age (3-5)	13430	348,871
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	<u>643,311</u>
Subtotal Special Education Cluster			<u>14,522,345</u>
Safe and Drug Free Schools Cluster:			
84.186	NCLB: Title IV, Part A, Safe and Drug-Free Schools and Communities (Technical Assistance)	14347	643,652
84.184	Safe and Drug-Free Schools and Communities National Program	14348	<u>871,689</u>
Subtotal Safe and Drug Free Schools Cluster			<u>1,515,341</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2007

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education (Continued)</u>			
	NCLB: Title II Cluster:		
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	\$ 1,250,960
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	<u>477,124</u>
	Subtotal Title II Cluster		<u>1,728,084</u>
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	2,465,365
84.367	NCLB: Title II, Improving Teacher Quality Local Grants	14341	6,225,606
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CAMSP)	14512	315,916
84.351D	Arts in Education	-	274,069
84.357A	NCLB: Title I, Part B, Reading First Program	14328	4,332,974
84.298A	NCLB: Title V, Part A, Innovative Education Strategies Formula Entitlements	14354	342,893
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	166,705
84.165	Magnet School Assistance	-	2,802,646
84.060A	Indian Education	10011	120,695
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	13174	2,676,362
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14326	674,796
84.215	High School Reform Grant	14307	861,050
84.048	Vocational Programs: Voc. and Applied Technology State Leadership, Sec. 124 (Carl Perkins Act)	13920	956,030
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	13923	<u>664,084</u>
	Total U.S. Department of Education		<u>93,169,228</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2007

<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	\$ 58,857
93.575	Child Development: School-Age Child Care Resource Contracts	13941	2,403
93.575	Child Development: Infant/Toddler Child Care Resource Contracts	13942	<u>6,037</u>
	Subtotal Child Development Cluster		<u>67,297</u>
93.778	Department of Health Services: Medi-Cal Billings	10013	771,635
93.556	Promoting Safe and Stable Families	-	<u>257,403</u>
	Total U.S. Department of Health and Human Services		<u>1,096,335</u>
<u>U.S. Department of Agriculture</u>			
	Child Nutrition Cluster:		
10.558	Child Nutrition: CCFP Claims, Centers and Family Day Care Homes	13529	25,171
10.561	Nutrition Network Grant	-	168,391
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	<u>25,590,249</u>
	Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>25,783,811</u>
<u>U.S. Department of Labor</u>			
17.259	Workforce Investment Act (WIA), Youth Activities	3422	<u>400,000</u>
<u>National Science Foundation</u>			
47.076	Education and Human Resources	-	<u>182,113</u>
	Total National Science Foundation		<u>182,113</u>
	Total Federal Programs		<u>\$ 120,631,487</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, 2007

	<u>Adult Education Fund</u>	<u>Self- Insurance Fund</u>
June 30, 2007 Unaudited Actual Financial Report Ending Fund Balance	<u>\$ 7,088,607</u>	<u>\$ 40,768,198</u>
Adjustments:		
Changes in self-insurance claims liability		(2,668,766)
Understatement of revenue limit payable	<u>(1,732,260)</u>	<u> </u>
Total adjustments	<u>(1,732,260)</u>	<u>(2,668,766)</u>
June 30, 2007 Audited Financial Statements Ending Fund Balance	<u><u>\$ 5,356,347</u></u>	<u><u>\$ 38,099,432</u></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, 2007

	<u>(Budgeted)</u> <u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$686,682,861</u>	<u>\$702,232,852</u>	<u>\$629,170,057</u>	<u>\$613,023,857</u>
Expenditures	729,620,235	645,449,735	606,201,354	608,002,712
Other uses and transfers out	<u>3,252,063</u>	<u>6,650,767</u>	<u>2,943,879</u>	<u>484,212</u>
Total outgo	<u>732,872,298</u>	<u>652,100,502</u>	<u>609,145,233</u>	<u>608,486,924</u>
Change in fund balance	<u>\$ (46,189,437)</u>	<u>\$ 50,132,350</u>	<u>\$ 20,024,824</u>	<u>\$ 4,536,933</u>
Ending fund balance	<u>\$ 46,645,440</u>	<u>\$ 92,834,877</u>	<u>\$ 42,702,527</u>	<u>\$ 22,677,703</u>
Available reserves	<u>\$ 35,312,328</u>	<u>\$ 33,487,840</u>	<u>\$ 26,182,074</u>	<u>\$ 10,560,870</u>
Designated for economic uncertainties	<u>\$ 34,291,133</u>	<u>\$ 33,487,840</u>	<u>\$ 26,182,074</u>	<u>\$ 10,560,870</u>
Undesignated fund balance	<u>\$ 1,021,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>4.82%</u>	<u>5.14%</u>	<u>4.30%</u>	<u>1.74%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$309,102,142</u>	<u>\$330,935,593</u>	<u>\$309,716,648</u>	<u>\$359,544,151</u>
Average daily attendance at P-2, (excludes classes for adults and charter schools)	<u>68,626</u>	<u>69,976</u>	<u>71,422</u>	<u>73,298</u>

The General Fund fund balance has increased by \$74,694,107 over the past three years. The fiscal year 2007-08 budget projects a decrease of \$46,189,437. 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, 2007, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, but anticipates an operating deficit in fiscal year 2008.

Total long-term liabilities have decreased by \$28,608,558 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 3,322 over the past two years. A decrease of 1,350 ADA is projected for the 2007-2008 fiscal year.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2007

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

SCHEDULE OF EXCESS SICK LEAVE

For the Year Ended June 30, 2007

**Contract or
Bargaining Agreement**

Title of Employee

There are no contracts which allow for excess sick leave.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

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

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

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2007-2008 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.

G - Schedule of Excess Sick Leave

This schedule provides information to the California State Teachers' Retirement System to monitor the granting of excess sick leave by school districts.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

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, 2007, 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, 2007. Compliance with the requirements of state laws and regulations is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Center and Programs	6	No, See Below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, See Below
Community Day Schools	9	No, See Below
Morgan Hart Class Size Reduction Program	7	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
School Construction Funds:		
School District Bonds	3	No, See Below
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	No, See Below
Excess Sick Leave	2	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>
Notification of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	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
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, See Below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see Below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes

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 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 had expenditures from Proposition 39 Bonds in the current year.

The 2006-2007 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, 2007. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2006-2007 Audit Guide relating to the comparison of tested data from the 2006-2007 fiscal year to the 2006-2007 School Accountability Report Cards.

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

**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, 2007, 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.

Penny - Smith CP

Sacramento, California
December 3, 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, 2007, and have issued our report thereon dated December 3, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fresno Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Fresno Unified School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

(Continued)

Compliance and Other Matters

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

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

Parry - Smith LLP

Sacramento, California
December 3, 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, 2007. 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, 2007.

Internal Control Over Compliance

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

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

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Perry - Smith CP

Sacramento, California
December 3, 2007

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010, 84.322A 10.555	NCLB: Title I Cluster Child Nutrition: School Programs (NSL Sec.11)

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

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

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified? _____ Yes X No

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

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

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINANCING CORPORATION (30000)

Criteria

Management is responsible for the safeguarding of the Districts assets.

Condition

The District does not maintain adequate accounting records for the COPS Debt Service Fund.

Effect

If any entity does not have adequate accounting internal controls, the risk of error or fraud is increased.

Cause

The District utilizes a COPS Debt Service Fund to make debt payments during the fiscal year. At the end of the fiscal year the District does not prepare a separate Unaudited Actual Financial Report for this fund.

Fiscal Impact

Not determinable.

Recommendation

We recommend the District track all activity for the Financing Corporation and report it in the Unaudited Actual Financial Report.

Corrective Action Plan

The District will establish a debt service fund to include the Certificate of Participation which is maintained with US Bank on the Fresno Unified books.

2. 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.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

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

Condition

At various school sites tested, we noted the following:

- Cash is not being counted in dual custody every time cash is received.
- Cash receipts are not supported by detailed cash collection forms.
- Several expenditures tested were not approved or signed by 3 persons.
- Outstanding checks that were more than six months old were not reviewed and written off.
- Fundraising approval forms are not consistently being used to approve revenue-producing activities.
- The student store is not counted or reviewed periodically.
- Cash register tapes from the student store are not reconciled to the bank deposits.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Receipt books or other supporting documentation should be used to record initial receipt of cash.
- Proper supporting documentation should accompany funds submitted for deposit.
- 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 administrators.
- Student council and school site administration should approve all fundraising events.
- Expenditures should be approved by the appropriate individuals for Elementary, Middle and High Schools.
- Student store inventory should be counted or reviewed twice a year.
- Profit and loss statements should be prepared monthly for the student store activity.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

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

Corrective Action Plan

The District provides training on the Associated Student Body Handbook, which outlines the issues noted by the auditor's recommendations, some at a greater level than what has been suggested. The District will add a procedure to request confirmation that fundraisers and expenditures are approved by the appropriate individuals on a monthly basis when sites submit their bank monthly reconciliation. The District will add a procedure to request copies of profit and loss statements from the student stores as well as request twice a year a count on inventory to stay in compliance.

3. CASH RECONCILIATIONS (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

- The Cash in County Treasury and revolving cash reconciliations for all funds are not being prepared and reviewed timely.
- There were no signatures or initials indicating preparation or review.

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 reconciliation should be performed and reviewed on a monthly basis.
- Revolving and cash account reconciliations should be signed/initialed by the preparer and reviewer.

Corrective Action Plan

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

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

4. CASH RECEIPTS (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

The Fresno Unified School District Receipt form that accompanies all cash that is sent with a deposit from Adult Education or Facilities is not being marked with a signature or initials indicating cash was counted in dual custody.

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 sent to the District Office should be counted in dual custody at the location of origin.

Corrective Action Plan

Current District procedures require cash at school sites to be counted in the presence of two people and two signatures. The District will change the deposit form to add two signature lines confirming the cash count. Current processes will be enhanced to monitor the signatures closely and respond with training as needed.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

5. ATTENDANCE REPORTING (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 Hoover High School, two students were improperly included for a total misstatement of 2 days.
- At Bullard High School, two students were improperly included for a total misstatement of 2 days.
- At Centennial Elementary School, five students were improperly included for a total misstatement of 7 days.
- At Bullard Talent K-8 School, two students were improperly included for a total misstatement of 2 days.
- At Malloch Elementary School, three students were improperly included for a total misstatement of 3 days.
- At Thomas Elementary School, two students were improperly included for a total misstatement of 2 days.
- At Forkner Elementary School, one students were improperly included for a total misstatement of 1 day.
- At Norseman Elementary School, two students were improperly included for a total misstatement of 3 days.

Effect

The effect of this finding is an extrapolated overstatement of 33.06 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 the Period Two Report of Attendance removing the disallowed attendance.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

5. ATTENDANCE REPORTING (10000) (Continued)

Corrective Action Plan

The District has adjusted the Period Two Report of Attendance prior to filing with the state.

6. 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 one student retained at Birney Elementary School.
- The Parental Agreement form required by the California Department of Education was not properly completed for two students retained at Pyle Elementary School.
- The Parental Agreement form required by the California Department of Education was not properly completed for two students retained at Wishon Elementary School.

Effect

Overstatement of ADA.

Cause

The Parental Agreement form identified was not approved by the California Department of Education.

Fiscal Impact

The overstatement of ADA related to the disallowed retention forms is 4.20 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.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2007

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

6. KINDERGARTEN CONTINUATION (10000)

Recommendation

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

Corrective Action Plan

The District has revised the Period Two Report of Attendance. 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.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2007

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2006-1</p> <p>At various school sites tested, we noted the following:</p> <ul style="list-style-type: none"> • 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. 	<p>Not implemented.</p>	<p>See current year finding #2.</p>
<p>We recommend:</p> <ul style="list-style-type: none"> • 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. 		

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2007

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2006-1 (Continued)		
<ul style="list-style-type: none"> • 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. 		
2006-2	Not implemented.	See current year finding #3.
<ul style="list-style-type: none"> • 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. <p>We recommend:</p> <ul style="list-style-type: none"> • 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. 		

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2007

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2006-3</p> <ul style="list-style-type: none"> • 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. <p>We recommend:</p> <ul style="list-style-type: none"> • 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. 	<p>Not implemented.</p>	<p>See current year finding #4.</p>
<p>2006-4</p> <p>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.</p> <p>Access to warrant stock should be restricted to appropriate District personnel.</p>	<p>Implemented.</p>	

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2007

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2006-5</p> <ul style="list-style-type: none"> • Employees whose compensation is paid solely from a Single Cost Objective (Federal Program) are not furnishing semi-annual certifications. <p>We recommend:</p> <ul style="list-style-type: none"> • The District should require employees who are paid solely from a Single Cost Objective furnish semi-annual certification. 	<p>Implemented.</p>	
<p>2006-6</p> <ul style="list-style-type: none"> • 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. 	<p>Not implemented.</p>	<p>See current year finding #5.</p>

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.

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2007

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2006-7</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>Not implemented.</p>	<p>See current year finding #6.</p>
<p>2006-8</p> <p>At Fresno High School, one student was improperly counted as present for a total of 3 days for Cal-SAFE attendance.</p> <p>The District should revise Period Two Report and Annual Report of Attendance removing the disallowed attendance.</p>	<p>Implemented.</p>	