

FRESNO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

FRESNO UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fresno Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 to 22 and the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 73 to 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

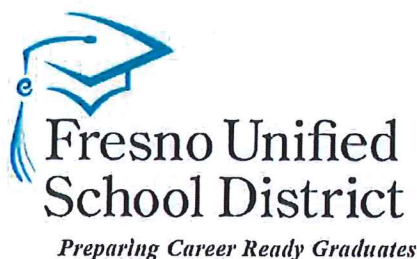
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of Fresno Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fresno Unified School District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 1, 2016



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Michael E. Hanson

December 14, 2016

Board of Trustees
Fresno Unified School District
Fresno, California 93721

Dear Trustees:

I am pleased to present the financial statements for the Fresno Unified School District (the District) for the fiscal year ended June 30, 2016, 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 \$95,911,360.

The California Education Code requires the governing board provide for an annual audit made by certified public accountants licensed by the State Board of Accountancy. The licensed firm of Crowe Howarth LLP rendered the attached auditors' reports. It appears that the data, as presented, is materially accurate, that it is a fair presentation of the financial position and the results of the District's operations, and that the audit satisfies the requirements of the Education Code.

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

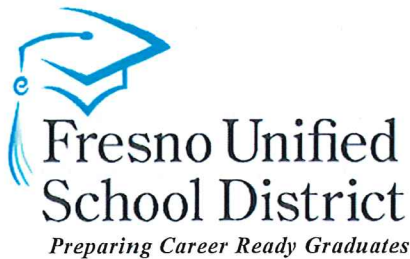
The financial statements for the year ended June 30, 2016 present the District's sound financial condition and, along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Respectfully Submitted,

Ruth F. Quinto
Deputy Superintendent/Chief Financial Officer

Management Discussion and Analysis

June 30, 2016



The management of the Fresno Unified School District (the District), offers readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that is furnished in the letter of transmittal at the front of this report. This discussion and analysis provides a comparison between fiscal year 2015/16 and fiscal year 2014/15.

FINANCIAL HIGHLIGHTS

- The primary government has a net position deficit in governmental activities totaling \$446 million at June 30, 2016.
- The total net position of the District decreased by \$12 million during fiscal year 2015/16. This is mainly due increased recognition of the State of California pension liabilities, increased post-retirement benefits and the issuance of Measure Q, Series E Bond offset by continued construction of new capital assets.
- The Cafeteria Fund transferred all assets and liabilities from business-type activities to the governmental activities in 2015/16 approved by the Board. This transferred \$1.7 million in net position from business-type activities to governmental activities.
- Fund balance of the District's governmental funds increased by \$56 million resulting in an ending fund balance of \$234 million. The increase was due to a combination of the issuance of Measure Q, Series D offset by additional capital projects and savings in the General Fund.
- At the end of the 2015/16 fiscal year, the fund surplus in the District's Unrestricted General Fund increased by \$30 million resulting in an ending fund balance of \$96 million. This was mainly due to facility, maintenance, and one-time projects/programs timing, salary savings due to vacancies and lower school site expenditures.
- Governmental Accounting Standards Board (GASB) Statement No. 68 recognizes the District's portion of the states California State Teachers Retirement System (CalSTRS) and Public Employment Retirement System (CalPERS) pension liabilities, deferred inflows, deferred outflows and pension expenses. The District is recognizing a net decrease of \$4 million in the net position.
- GASB Statement No. 45 requires an actuarial valuation of the District's Retiree Health Benefits Plan. The District is required to recognize the Annual Retirement Contribution (ARC) on an annual basis for 30 years. The annual Other Post Employment Benefit (OPEB) cost of \$73 million for 2015/16 offset with the 2015/16 actual healthcare costs of \$31.0 million for District retirees and covered dependents. In addition, \$3.5 million transferred into an irrevocable trust from the General and Self Insurance Funds. The change of \$38 million is included as an increase to the OPEB liability. This is the ninth year the District has recognized the liability of \$351 million.

Management Discussion and Analysis

June 30, 2016

- In 2017/18, GASB Statement No. 75 will require a full recognition of the balance and the requirement to recognize the ARC annually will expire.
- The District's long-term obligations increased by \$190 million to \$1.475 billion mainly as a result the recognition of pension liabilities, the issuance of Measure Q, Series E and GASB Statement No. 45 Retiree Health offset with continued payments to the general obligation bond debt and the final payments to the supplementary retirement benefits.
- The District maintained a positive financial position for 2015/16 as reflected by Moody's credit rating of Aa3 issued in August 2016. In its report to potential investors, Moody's Investors Services noted the district's "stable financial position and strong management team." The rating report incorporates the district's "trend of improvement in the district's financial position".

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

The *Government-wide Financial Statements* consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues. The District's Government-wide Statements include the following types of funds: General, Special Revenue, Capital Project, Debt Service and Internal Service Funds. The business-type activities has been re-designated to Special Revenue as the Cafeteria Fund is no longer classified as an Enterprise Fund.

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

Management Discussion and Analysis

June 30, 2016

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.

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

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

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

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

The District maintains one type of proprietary funds, which is the Self Insurance Fund. The Cafeteria Fund was transferred from an Enterprise fund to a Special Revenue Fund in 2015/16.

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

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

The Retiree Benefit Fund is for retirement health benefits and exists to account separately for amounts held in a formal irrevocable trust fund and can only be used for benefit of our retiree's health expenses.

Management Discussion and Analysis

June 30, 2016

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

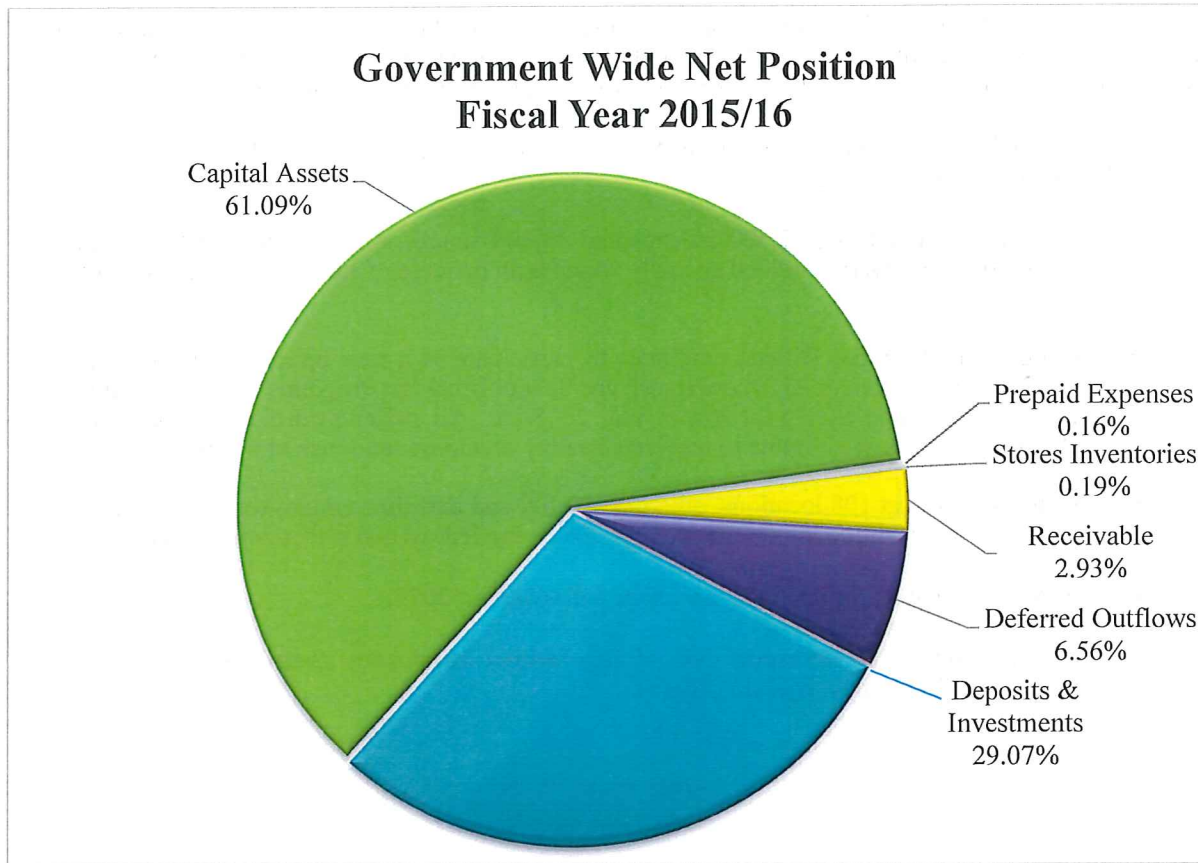
In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		% Change
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 406,949,604	\$ 316,464,612	\$ -	\$ 9,589,803	\$ 406,949,604	\$ 326,054,415	24.81%
Capital assets	768,582,512	750,839,365	-	2,113,538	768,582,512	752,952,903	2.08%
Total Assets	\$1,175,532,116	\$1,067,303,977	-	\$11,703,341	\$1,175,532,116	\$1,079,007,318	8.95%
Deferred Outflows	82,537,729	43,708,196	-	1,157,226	82,537,729	44,865,422	83.97%
Current liabilities	170,174,604	139,085,101	-	1,499,231	170,174,604	140,584,332	21.05%
Long-term liabilities	1,474,833,962	1,275,841,332	-	9,408,180	1,474,833,962	1,285,249,512	14.75%
Total Liabilities	\$1,645,008,566	\$1,414,926,433	-	\$10,907,411	\$1,645,008,566	\$1,425,833,844	15.37%
Deferred Inflows	58,827,000	129,896,554	-	3,696,465	58,827,000	133,593,019	(55.97%)
Net invested in capital assets	363,461,951	330,091,672	-	2,113,538	363,461,951	332,205,210	9.41%
Restricted	78,200,914	60,201,756	-	-	78,200,914	60,201,756	29.90%
Unrestricted	(887,428,586)	(824,104,242)	-	(3,856,847)	(887,428,586)	(827,961,089)	7.18%
Total Net Position	\$ (445,765,721)	\$ (433,810,814)	\$ -	\$ (1,743,309)	\$ (445,765,721)	\$ (435,554,123)	2.34%

Management Discussion and Analysis
June 30, 2016



Government-wide Net Position

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, unearned revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2015/16 fiscal year. Long-term liabilities such as general obligation bonds, energy loans and compensated absences will be liquidated from resources that will become available after the 2015/16 fiscal year.

The liabilities and deferred inflows of the primary government activities exceed the assets and deferred outflows by \$446 million. Total net position 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.

Management Discussion and Analysis

June 30, 2016

A net investment of \$769 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 70,742 public school students represents 64% of the District's total assets. The table and chart above summarizes the District's government-wide net position.

The Cafeteria Fund's ending fund balance at June 30, 2016 was \$10.8 million. Key elements that highlight the activities in 15/16 fiscal year are as follows:

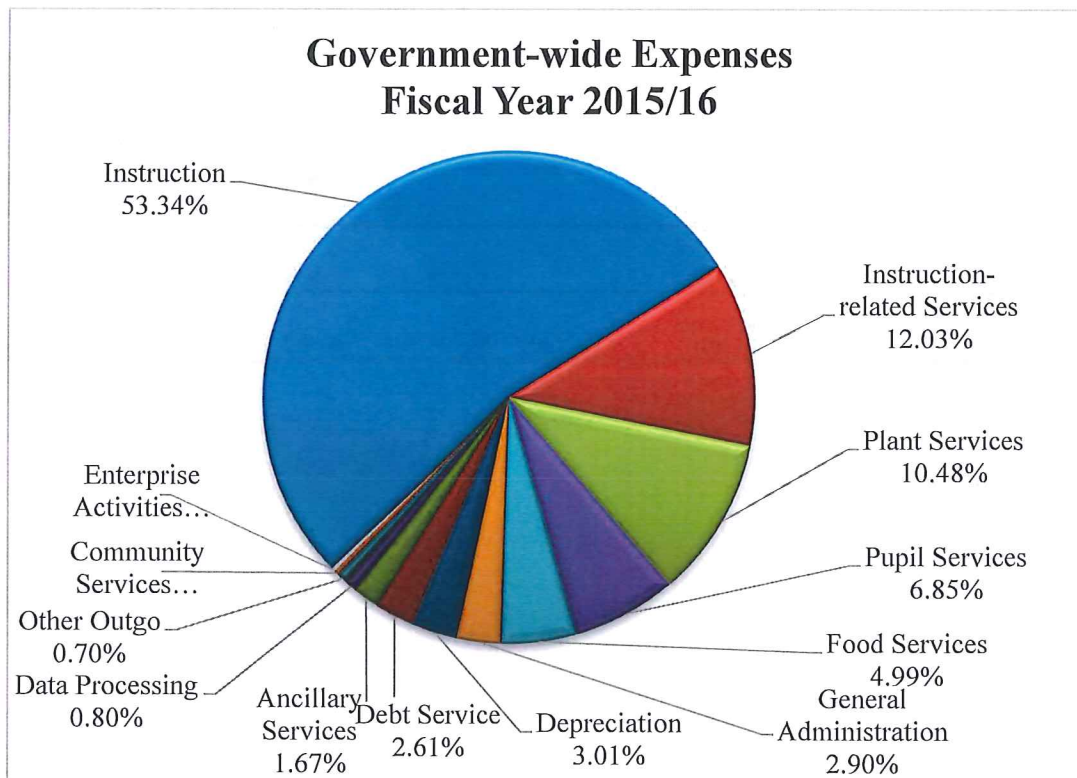
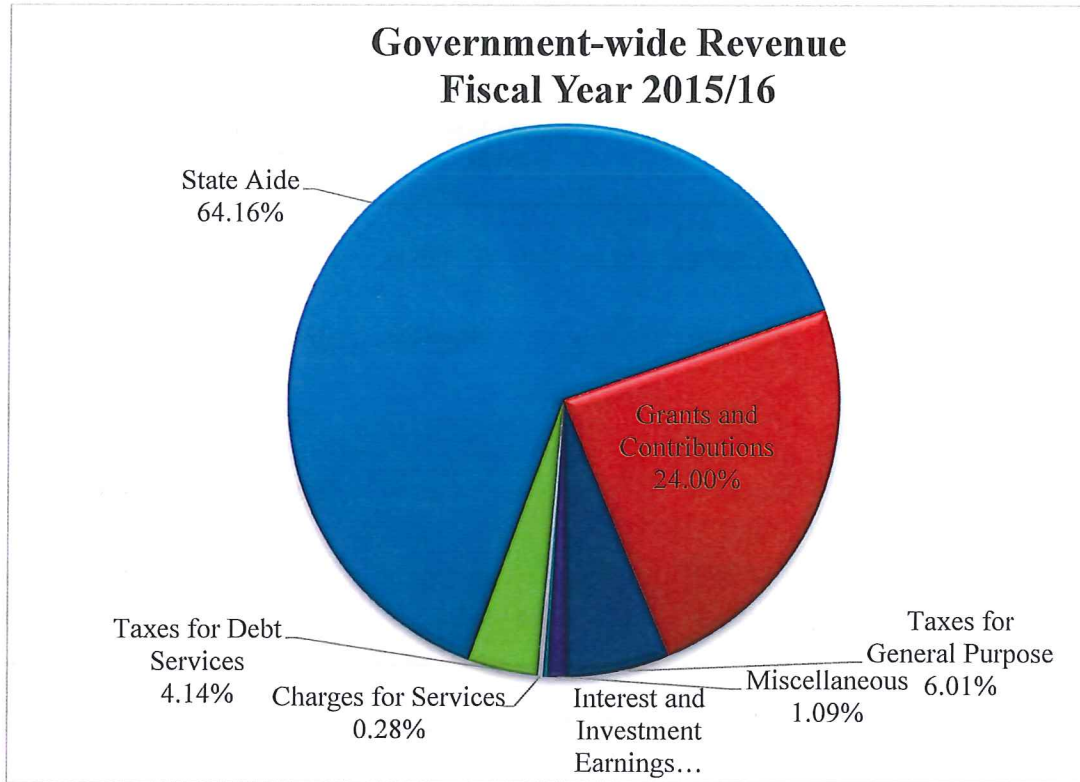
- Over 24,100 breakfasts, 57,500 lunches and 13,300 snacks a day during the fiscal year and 17,100,000 meals were provided annually which is an increase of 1,051,900 meals from the prior year.
- Fresno Unified School District continues to participate in a new option available to schools participating in the National School Lunch and School Breakfast Programs called the Community Eligibility Provision (CEP) for school year 2015/16. All students enrolled at Fresno Unified School District site are eligible to receive a healthy breakfast and lunch at no charge each day.
- Meals are served at 108 locations, utilizing 473 full and part-time employees. The meals served have increased enabling the program to operate on the federal and state reimbursement.
- The lease payments for the nutrition center will expire in 2028.
- The Cafeteria Fund represents 9% of the District employees contributing to the Public Employment Retirement System (PERS).

Management Discussion and Analysis

June 30, 2016

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		% Change
	2016	2015	2016	2015	2016	2015	
Program Revenues							
Charges for Services	\$ 2,687,440	\$ 3,252,708	\$ -	\$ 350,073	\$ 2,687,440	\$ 3,602,781	(25.41%)
Operating Grants & Contributions	232,822,613	166,484,306	-	47,268,226	232,822,613	213,752,532	8.92%
General Revenues							
Taxes and Subventions Federal and State Aid, Unrestricted	98,482,258	82,123,365	-	-	98,482,258	82,123,365	19.92%
Interest and Investment Earnings	622,241,374	508,708,375	-	-	622,241,374	508,708,375	22.32%
Other General Revenues	3,121,704	2,697,827	-	-	3,121,704	2,697,827	15.71%
	10,530,829	7,794,509	1,743,309	-	12,274,138	7,794,509	57.47%
Total Revenues	\$ 969,886,218	\$ 771,061,090	\$ 1,743,309	\$ 47,618,299	\$ 971,629,527	\$ 818,679,389	18.68%
Expenses							
Instruction	\$ 523,726,144	\$ 462,229,412	-	-	\$ 523,726,144	\$ 462,229,412	13.30%
Instructional Related	118,080,047	103,100,952	-	-	118,080,047	103,100,952	14.53%
Student Support Services	116,270,069	64,608,974	-	-	116,270,069	64,608,974	79.96%
General Administrative	36,349,838	29,972,749	-	-	36,349,838	29,972,749	21.28%
Maintenance and Operations	102,904,083	83,235,000	-	-	102,904,083	83,235,000	23.63%
Depreciation	29,537,204	27,010,675	-	-	29,537,204	27,010,675	9.35%
Other	54,973,740	48,427,630	-	-	54,973,740	48,427,630	13.52%
Enterprise Activities	-	-	-	47,291,185	-	47,291,185	(100.00%)
Total Expenses	\$ 981,841,125	\$ 818,585,392	\$ -	\$ 47,291,185	\$ 981,841,125	\$ 865,876,577	13.39%
Change in Net Position	\$ (11,954,907)	\$ (47,524,302)	\$ 1,743,309	\$ 327,114	\$ (10,211,598)	\$ (47,197,188)	(78.4%)



Management Discussion and Analysis

June 30, 2016

Governmental activities – Capital Project Funds for the District provide the same type of information presented in the government-wide financial statements, but in greater detail. The following highlights significant activity in the District's capital project funds for fiscal year 2015/16.

- The County School Facilities Fund spent \$36.7 million on projects (Measure Q - \$34.9 million, Measure K - \$1.5 million and Measure A - \$300,000).
- The County School Facilities Fund's major projects and activities included the following:
 - Construction and Maintenance major projects and activities totaling **\$29.0 million**
 - Bullard High \$ 15.3 million
 - Patino High \$ 4.3 million
 - Baird Middle \$ 2.6 million
 - Robinson Elementary \$ 2.1 million
 - McLane High \$ 1.9 million
 - Hoover High \$ 1.3 million
 - Turner Elementary \$ 0.4 million
 - Gaston Middle \$ 0.4 million
 - Figarden Elementary \$ 0.2 million
 - New Southeast Site \$ 0.2 million
 - 13 other sites totaling \$ 0.3 million
 - Modernization Projects included the following sites totaling **\$7.7 million**
 - Addicott \$ 3.6 million
 - Edison High \$ 0.7 million
 - Bullard High \$ 0.7 million
 - Roosevelt High \$ 0.5 million
 - McLane High \$ 0.4 million
 - Sequoia Middle \$ 0.3 million
 - Instructional Media \$ 0.2 million
 - Duncan High \$ 0.2 million
 - 32 other sites totaling \$ 1.1 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 increased by 96 students during the fiscal year. The average daily funded attendance for fiscal year 2015/16 increased 52 ADA from the 2014/15 fiscal year. This increase amounts to approximately \$490,000.

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

General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2015/16, Fresno Unified spent 55.2% towards classroom compensation.

Management Discussion and Analysis

June 30, 2016

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

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

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

The District as a general rule requires restricted budgets to stay within their State and/or Federal allocation. The major exceptions include Special Education, Restricted Routine Maintenance, Medi-Cal, Regional Occupation Program and California Endowment, in addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources.

The adopted unrestricted ending balance at year-end for the 2015/16 budget was \$45 million. The actual ending balance was \$87 million. The difference of \$42 million is mainly due to the following:

- The beginning fund balance for 2015/16 was higher than estimated in the adopted budget by \$11.0 million
- Savings for one-time costs for a CTE building to be funded in a future year of \$10 million
- Cost savings of \$6.7 million for one-time projects to be completed in the next fiscal year
- Salary savings from authorized but vacant positions of \$6 million
- Cost savings due to implementation of new programs such as CTE, Kids Invent and Focus/Designated School program of \$3.2 million
- Cost savings of \$1.7 million for school site expenditures lower than budgeted
- An increase in Lottery revenues totaling \$1.0 million
- Cost savings in Goal 2 programs totaling \$900,000
- Cost savings for unanticipated reimbursements for internal services in Maintenance and Transportation of \$700,000
- Cost savings for lower water and utility usage of \$700,000

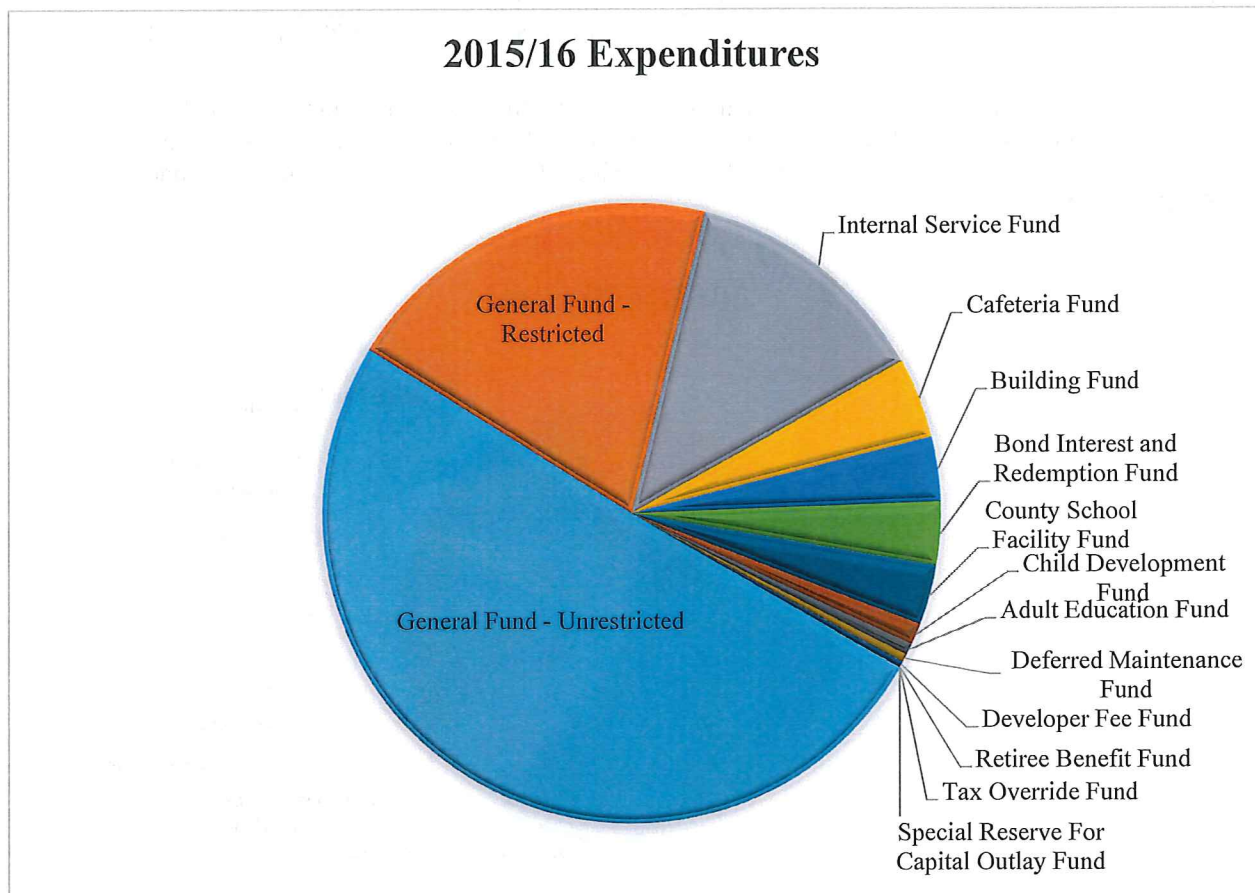
Management Discussion and Analysis

June 30, 2016

Total expenditures for 2015/16 were \$1.2 billion, representing an increase from 2014/15 of \$95 million as listed below (in millions):

Expenditures	2015/16 Actuals	2014/15 Actuals	Difference	% Change
General Fund - Unrestricted	\$ 593.0	\$ 504.3	\$ 88.70	17.6%
General Fund – Restricted	233.8	220.1	13.7	6.2%
Internal Service Fund	153.0	151.7	1.3	0.8%
Cafeteria Fund	49.0	47.8	1.2	2.7%
Building Fund	39.6	46.2	(6.6)	(14.4%)
Bond Interest and Redemption Fund	38.7	36.1	2.6	7.2%
County School Facility Fund	36.7	46.9	(10.2)	(21.8%)
Child Development Fund	12.9	10.5	2.4	22.1%
Adult Education Fund	7.1	6.5	0.6	9.2%
Deferred Maintenance Fund	5.0	3.4	1.6	47.1%
Capital Facilities Fund	3.6	2.1	1.5	71.5%
Special Reserve For Capital Outlay Fund	0.1	2.2	(2.1)	(94.3%)
Retiree Benefit Fund**	0.0	0.0	(0.0)	0.0%
Tax Override Fund	0.0	0.0	0.0	0.0%
Total	\$1,172.5	\$1,077.8	\$ 94.7	8.8%

** The Retiree Benefit Fund is not included in the District’s financial statements. The funds in the CEBRT are held in trust and will be administered by the CalPERS as an agent multiple-employer plan.



Management Discussion and Analysis

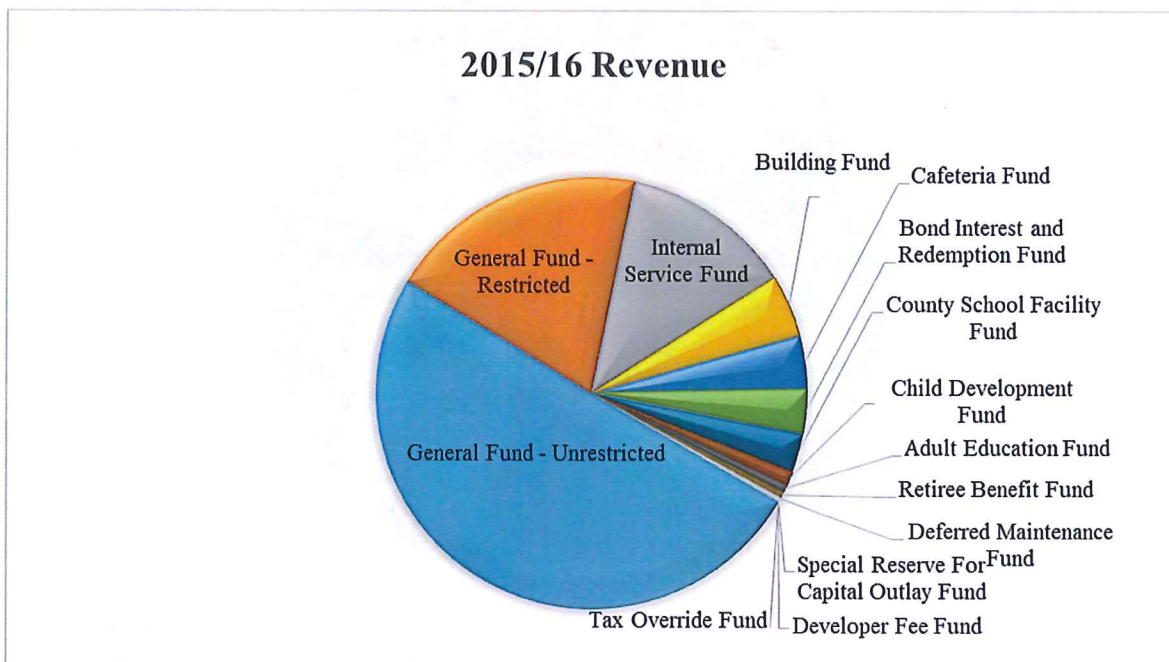
June 30, 2016

The District's contributions to the irrevocable trust is included in the CEBRT, which is included in the CalPERS CAFR.

Total revenue for 2015/16 was \$1.2 billion, an increase from 2014/15 of \$147 million as listed below (in millions):

Revenue	2015/16 Actuals	2014/15 Actuals	Difference	% Change
General Fund – Unrestricted	\$ 617.3	\$ 506.9	\$ 110.4	21.8%
General Fund – Restricted	239.6	214.7	24.9	11.6%
Internal Service Fund	157.4	144.7	12.7	8.8%
Building Fund	57.2	61.6	(4.4)	(7.1%)
Cafeteria Fund	49.6	47.6	2.0	4.2%
Bond Interest and Redemption Fund	40.4	34.9	5.5	15.7%
County School Facility Fund	35.6	42.4	(6.8)	(16.1%)
Child Development Fund	12.9	10.5	2.4	22.1%
Adult Education Fund	7.9	6.5	1.4	21.9%
Retiree Benefit Fund**	4.4	3.3	1.1	30.4%
Deferred Maintenance Fund	3.1	5.3	(2.2)	(40.1%)
Capital Facilities Fund	1.0	0.5	0.5	91.8%
Special Reserve For Capital Outlay Fund	0.4	0.1	0.3	375.4%
Tax Override Fund	0.0	0.0	0.0	0.00%
Total	\$1,226.8	\$1,079.0	\$ 147.8	13.7%

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



Management Discussion and Analysis

June 30, 2016

Capital Assets and Long Term Liabilities

Governmental Activities,

Capital Assets	2016	2015	\$ Change	% Change
Land	\$ 61,136,569	\$ 61,136,569	\$ -	0.00%
Work-in-process	57,358,063	59,514,643	(2,156,580)	(3.62%)
Land improvements	83,497,246	70,781,890	12,715,356	17.96%
Buildings	893,247,992	865,031,348	28,216,644	3.26%
Equipment	29,405,873	17,340,737	12,065,136	69.58%
Capital Assets, cost	1,124,645,743	1,073,805,797	50,840,556	4.73%
Accumulated Depreciation	(356,063,231)	(322,965,822)	(33,097,409)	10.25%

Governmental Activities

Capital Assets, net	\$ 768,582,512	\$ 750,839,365	\$ 17,743,147	2.36%
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Business-Type Activities,

Capital Assets				
Equipment	-	7,174,736	(7,174,736)	(100.00%)
Accumulated Depreciation	-	(5,061,198)	5,061,198	(100.00%)

Business-Type Activities

Capital Assets, net	\$ -	\$ 2,113,538	\$ (2,113,538)	(100.00%)
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The District's investment in capital assets for its governmental activities as of June 30, 2016 was \$769 million (net of accumulated depreciation).

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

Summary of Long Term Liabilities

	2016	2015	\$ Change	% Change
Governmental Activities				
General Obligation Bonds	\$ 482,376,915	\$ 449,651,042	\$ 32,725,873	7.28%
Accreted Interest	30,474,668	21,798,381	8,676,287	39.80%
PG&E Energy Loans	447,408	564,492	(117,084)	(20.74%)
Unamortized Premium	5,273,557	4,889,941	383,616	7.85%
Other Postemployment Benefits	350,625,879	312,438,148	38,187,731	12.22%
Supplementary Retirement Benefits	-	7,776,794	(7,776,794)	(100.00%)
Compensated Absences	3,289,535	2,747,714	541,821	19.72%
Net Pension Liability	602,346,000	475,974,820	126,371,180	26.55%
Governmental Long-Term Liabilities	\$ 1,474,833,962	\$ 1,275,841,332	\$ 198,992,630	15.60%
Business-Type Activities				
Net Pension Liability	-	9,408,180	(9,408,180)	(100.00%)
Total Long-Term Liabilities	\$ 1,474,833,962	\$ 1,285,249,512	\$ 189,584,450	14.75%

Management Discussion and Analysis

June 30, 2016

At June 30, 2016, the District had total bonded debt outstanding of \$482 million backed by the full faith and credit of the District. Additionally, GASB 68 requires the District to recognize the Pension Liability in 2015/16 of \$602 million.

Total long-term debt for the District increased by \$189 million. The change in the long term debt was due mainly to the issuance of General Obligation Bonds of \$69 million, net increase in the pension liability of \$117 million, net increase in the OPEB liability of \$38 million and increase in accreted interest of \$9 million offset by payments to the General Obligation Bonds of \$37 million, and the final payments to the Supplementary Retirement Benefits of \$8 million.

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

Economic Factors and Budgets and Rates for 2016/17

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions from the Governor's priorities and calculates funding levels based upon enrollment projections. The 2016/17 Proposed Budget includes recommendations that continue to balance the Board of Education's investment in educational programs for students, employee compensation, and fiscal responsibility through a healthy financial reserve.

On June 1, 2016, the Board approved an Adopted Budget for fiscal year 2016/17. The Adopted Budget included a 5.24% unrestricted reserve.

- The major State assumption are:
 - The Local Control Funding Formula (LCFF) estimates "gap" funding level at 54.84% which equates to approximately \$43.6 million
 - Statutory cost-of-living adjustment of 0.00%
 - The cash flow projects a positive cash balance of \$84.6 million on June 30, 2016
 - Mandate Block Grant funds mandated activities are funded both on a per ADA basis and through a claim process. The proposed budget includes \$15.7 million
 - Educational Protection Account continues as approved by Proposition 30 in November 2012 and represents 13% of the Local Control Funding Formula of \$89 million
- The Local assumptions are as follows:
- The District is projected to be funded on the current year ADA.
 - Aligned Instructional Systems at the school site level is supported by categorical funds of \$19.4 million
 - The Early Learning and Elementary School Aligned Instructional System: Instructional coaches, lead teachers of Accountable Communities, dual immersion teachers, and administrative support
 - The Middle School Aligned Instructional System: Lead teachers of Accountable Communities, counselors, instructional coaches, IPL and ELA/Math intervention teachers and Men's/Women's Alliance
 - The High School Aligned Instructional System: Counselors, instructional coaches, lead teachers of Accountable Communities, ELA/Math intervention teachers, corrective reading/intervention, credit recovery, administrative support and online learning

Management Discussion and Analysis

June 30, 2016

- Supplemental and Concentration Programs supported through LCFE funds of \$154 million
 - School site allocations including funds for instructional classroom support, after-school activities/athletics and library supplies
 - Goal 2 activities including additional funds to expand enrichment trips for transitional kindergarten through grade 2 classrooms including; an additional relief bus driver, support for fingerprinting parent volunteers, converting seven high school athletic trainers from part-time to full-time and add an athletic manager II, support for music repair/maintenance, uniforms, equipment and training, support for regional athletic events for elementary, and middle school feeders and support costs for student body to attend playoff events
 - GATE/AP/IB expansion including additional funds for professional learning for elementary GATE teachers to be GATE certified, professional learning for secondary teachers teaching GATE/honors/AP/IB classes, TSA to coordinate AP programs at each comprehensive high school, manager and TSA to oversee GATE/AP/IB expansion, increasing GATE classes offered at all elementary and middle schools, summer on-ramp program for seventh grade students in GATE/Honors and ninth grade students taking AP classes in the fall and AP/IB learning labs and tutoring for all students
 - Curriculum includes additional funds to build the collective capacity and improve instruction including three positions: Science Manager II, PE/Comprehensive Sexual Health Education Manager II, and History/Social Studies TSA
 - Teacher refresh program supports changing the teacher computer refresh cycle program from five to three years
 - Support the district's match for a police grant to fund additional officers at the secondary schools, support for the police chaplaincy program at the elementary schools and expanded coverage for Shot Spotters
 - Summer school includes support to pay teachers based on the bargaining unit member's hourly rate of pay
 - AP/IB testing support to cover the cost of student AP and IB exams
 - Early learning includes support by State Pre-School funds for nine additional paraprofessional, a pre-school classroom for three-year-old children, a teacher, two paraprofessionals, and an analyst position
 - Restorative justice allocations include addition of six counselors to expand the program to additional schools
 - Foster and homeless students include additional funds for five social workers to increase service to students in grades 6-12 and increase the support for transition to middle school and high school
 - High school pilot includes a social worker to provide social emotional support for students through individual and group counseling
 - Health Services include additional funds for two community nurses and additional support due to funding shifts for Medi-Cal billing services
 - Special Education includes additional contract costs with Fresno County Office of Education to serve Adult Transition students
 - English Learners includes additional funding for five TSA's to develop and provide English Learner professional learning to teachers, adding Hmong courses at high schools, TSA to assist with dual immersion expansion, additional teaching time outside of class for English Learner students enrolled in AP courses, expanding Family Literacy Project sessions for parents, expanding "Abriendo Puertas" courses for parents on English Learners, and establishing college exposure for students and families of English Learners

Management Discussion and Analysis

June 30, 2016

- Career Technical Education includes the addition of three TSA's, a Manager II for College Readiness, and an additional Job Developer
- Elementary library support includes additional time elementary libraries are available for students
- Additional support of Goal 2 including support for the student body to attend playoff events and for qualifying students to attend regional and national academic competitions
- Allocated resources supported by the general fund
 - Furniture and technology needs for new classrooms
 - Communications increase to support the "I Am Ready Initiative" which includes cost of expanding the Buildings Future to a monthly addition and production of school site posters and public service announcements
 - Fee based after school program includes additional funds to support establishing the fee-based program at six additional sites
 - Transportation includes an increase for the First Student transportation contract
 - Maintenance and Operations includes an increased investment to support utilities increased costs and two additional irrigation specialists
 - Technology increase to support vendor maintenance contracts and upgrades to aging routers
 - Legal needs for increased costs
 - Equity and Access increased costs to reprioritize positions and create a lead analyst position
- Utilize one-time reserves
 - Education Programs: State standards professional learning for teachers, CTE facility, English Language art books for transitional kindergarten and donations
 - Operational Support: Support facility projects, renovate bathrooms at high schools, Early Learning restroom access, painting of schools, pools for McLane/Roosevelt, two busses for Goal 2 trips and repair hoist for bus maintenance, replace cafeteria tables, and November 2016 board election
- Employee support includes an additional investment in employee compensation will be proposed
- Multi-Year Items
 - Future textbook adoptions for areas such as Social Studies and Science
 - STRS and PERS increased employer rates by \$7.0 million
 - GASB 45 includes a district contribution
 - Minimum Wage includes an increase in January 2017
- Benefit Rates
 - Increase the Health rate in accordance with the current proposed employee bargaining agreements by \$642 to \$16,645 per employee
 - Workers' Compensation maintains the Liability Insurance rates to fund the reserve level at 71%
 - The Liability rate will increase from .74% to .76%
- Subsequent Events to the Adopted 2015/16 budget
 - In October 2016, the District issued Measure Q, Series F in the amount of \$30,010,000, issued a refunding in the amount of \$60,480,000 and \$59,590,988 of 2010 Series B and 2010 Series C, respectively

Management Discussion and Analysis

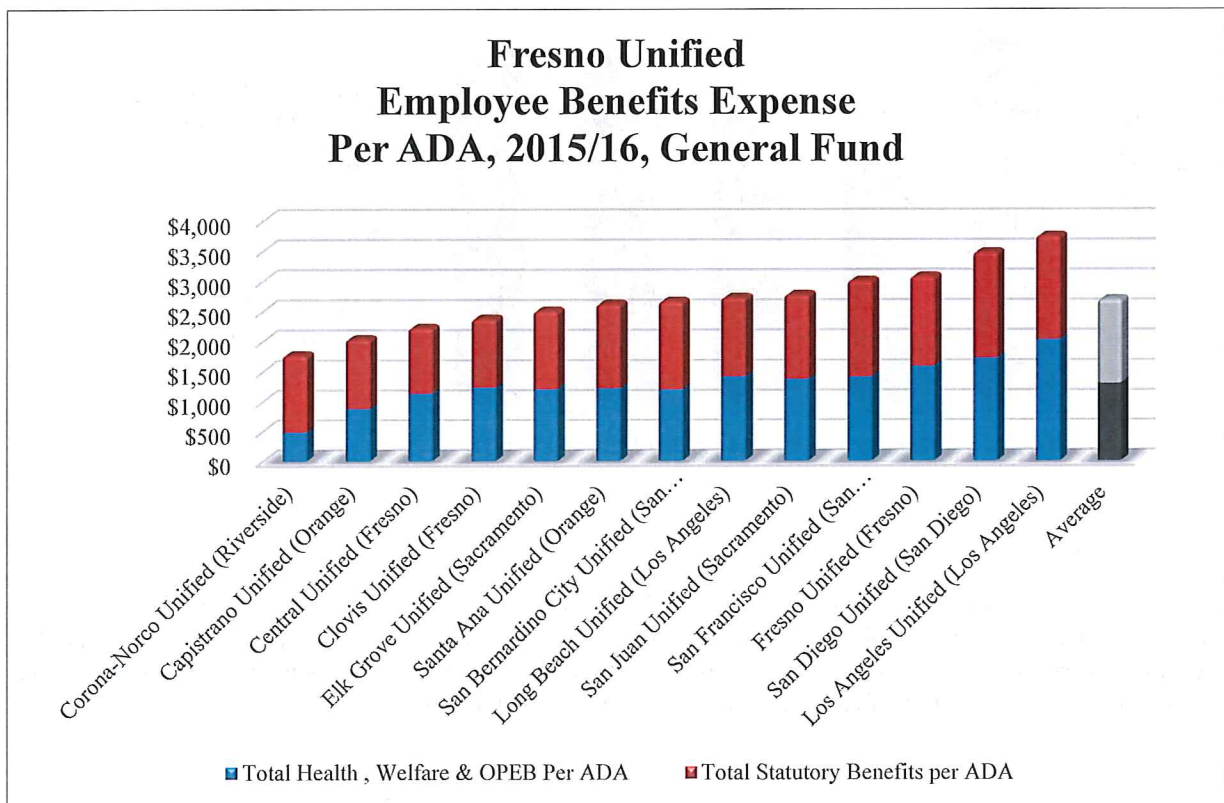
June 30, 2016

Post-Employment Medical Benefits

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 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 \$965 million in May 2016. The previous actuarial completed in March 2014 totaled \$820 million. The District established an irrevocable trust in 2013/14. The Trust Fund increased by \$4.3 million and at the end of 2015/16 had an ending fund balance of \$30.6 million. In 2016/17, the District plans to transfer \$3.5 million to the health fund.

Fresno Unified ranks third when comparing spending per ADA for ADA for statutory and health benefits, at \$3,073 per ADA compared to the unified average of \$2,693. If the district were at the state average, it would generate a savings of \$25.2 million.



Management Discussion and Analysis

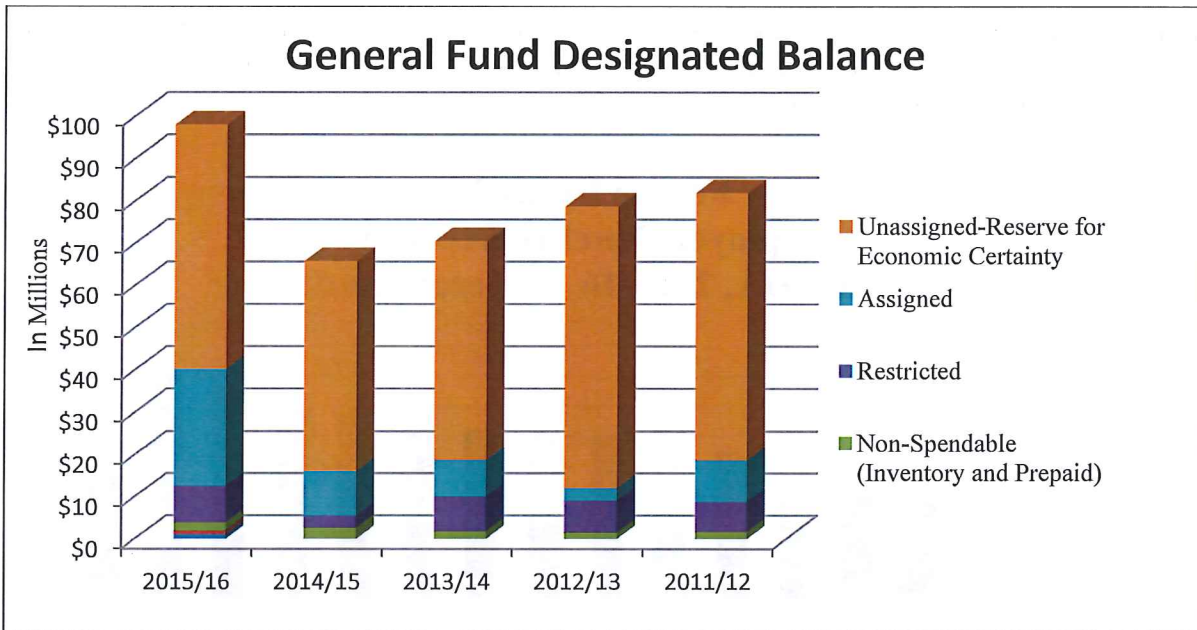
June 30, 2016

Pension Liability

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

End Fund Balance Classification

Governmental Accounting Standards 54 (GASB 54) year-end financial statements reclassify the categories that describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported. This does not change the amount of the fund balance.



Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 365,644,934	\$ -	\$ 365,644,934
Receivables	36,820,729	-	36,820,729
Prepaid expenses	2,055,304	-	2,055,304
Stores inventory	2,428,637	-	2,428,637
Non-depreciable capital assets (Note 4)	118,494,632	-	118,494,632
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>650,087,880</u>	<u>-</u>	<u>650,087,880</u>
Total assets	<u>1,175,532,116</u>	<u>-</u>	<u>1,175,532,116</u>
DEFERRED OUTFLOWS			
Deferred outflows of resources - pensions (Notes 8 and 9)	78,300,531	-	78,300,531
Deferred loss from refunding of debt	<u>4,237,198</u>	<u>-</u>	<u>4,237,198</u>
Total deferred outflows	<u>82,537,729</u>	<u>-</u>	<u>82,537,729</u>
LIABILITIES			
Accounts payable and other current liabilities	110,049,514	-	110,049,514
Unearned revenue	3,741,888	-	3,741,888
Self-insurance claims liability (Note 5)	56,383,202	-	56,383,202
Long-term liabilities (Note 6):			
Due within one year	22,736,659	-	22,736,659
Due after one year	<u>1,452,097,303</u>	<u>-</u>	<u>1,452,097,303</u>
Total liabilities	<u>1,645,008,566</u>	<u>-</u>	<u>1,645,008,566</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>58,827,000</u>	<u>-</u>	<u>58,827,000</u>
NET POSITION			
Net investment in capital assets	363,461,951	-	363,461,951
Restricted:			
Legally restricted programs	20,332,814	-	20,332,814
Capital projects	17,690,995	-	17,690,995
Debt service	30,470,900	-	30,470,900
Self insurance	9,706,205	-	9,706,205
Unrestricted	<u>(887,428,586)</u>	<u>-</u>	<u>(887,428,586)</u>
Total net position	<u>\$ (445,765,721)</u>	<u>\$ -</u>	<u>\$ (445,765,721)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 523,726,144	\$ 1,180,508	\$ 108,965,519	\$ -	\$ (413,580,117)	\$ -	\$ (413,580,117)
Instruction-related services:							
Supervision of instruction	51,634,042	548,793	29,698,435	-	(21,386,814)	-	(21,386,814)
Instructional library, media and technology	11,013,651	955	321,791	-	(10,690,905)	-	(10,690,905)
School site administration	55,432,354	123,304	4,833,075	-	(50,475,975)	-	(50,475,975)
Pupil services:							
Home-to-school transportation	16,518,226	158,777	2,578,419	-	(13,781,030)	-	(13,781,030)
Food services	48,994,606	263,538	48,774,497	-	43,429	-	43,429
All other pupil services	50,757,237	128,131	18,054,304	-	(32,574,802)	-	(32,574,802)
General administration:							
Data processing	7,887,942	-	14,390	-	(7,873,552)	-	(7,873,552)
All other general administration	28,461,896	248,055	7,704,911	-	(20,508,930)	-	(20,508,930)
Plant services	102,904,083	27,775	5,655,401	-	(97,220,907)	-	(97,220,907)
Ancillary services	16,397,326	-	4,205,835	-	(12,191,491)	-	(12,191,491)
Community services	3,476,523	2,217	1,488,874	-	(1,985,432)	-	(1,985,432)
Enterprise activities	2,616,671	957	217,174	-	(2,398,540)	-	(2,398,540)
Interest on long-term liabilities	25,618,396	-	-	-	(25,618,396)	-	(25,618,396)
Other outgo	6,864,824	4,430	309,988	-	(6,550,406)	-	(6,550,406)
Depreciation (unallocated) (Note 4)	29,537,204	-	-	-	(29,537,204)	-	(29,537,204)
Total governmental and business-type activities	<u>\$ 981,841,125</u>	<u>\$ 2,687,440</u>	<u>\$ 232,822,613</u>	<u>\$ -</u>	<u>(746,331,072)</u>	<u>-</u>	<u>(746,331,072)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					58,319,341	-	58,319,341
Taxes levied for debt service					40,162,917	-	40,162,917
Taxes levied for other specific purposes					141,068	-	141,068
Federal and state aid not restricted to specific purposes					622,241,374	-	622,241,374
Interest and investment earnings					3,121,704	-	3,121,704
Interagency revenues					375,124	-	375,124
Interagency transfers					(1,743,309)	1,743,309	-
Miscellaneous					11,757,946	-	11,757,946
Total general revenues					<u>734,376,165</u>	<u>1,743,309</u>	<u>736,119,474</u>
Change in net position					(11,954,907)	1,743,309	(10,211,598)
Net position, July 1, 2015					<u>(433,810,814)</u>	<u>(1,743,309)</u>	<u>(435,554,123)</u>
Net position, June 30, 2016					<u>\$ (445,765,721)</u>	<u>\$ -</u>	<u>\$ (445,765,721)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 158,210,060	\$ 91,604,418	\$ 51,051,937	\$ 300,866,415
Cash in revolving fund	39,929	-	-	39,929
Cash on hand and in banks	289,105	-	6,942,043	7,231,148
Collections awaiting deposit	-	-	28,765	28,765
Receivables	26,083,338	318,964	10,244,891	36,647,193
Prepaid expenditures	191,560	-	634	192,194
Due from other funds	3,060,987	-	13,491,157	16,552,144
Stores inventory	<u>1,632,378</u>	<u>-</u>	<u>796,259</u>	<u>2,428,637</u>
Total assets	<u>\$ 189,507,357</u>	<u>\$ 91,923,382</u>	<u>\$ 82,555,686</u>	<u>\$ 363,986,425</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 82,216,334	\$ -	\$ 10,323,915	\$ 92,540,249
Unearned revenue	3,552,629	-	189,259	3,741,888
Due to other funds	<u>7,827,034</u>	<u>13,183,261</u>	<u>12,309,200</u>	<u>33,319,495</u>
Total liabilities	<u>93,595,997</u>	<u>13,183,261</u>	<u>22,822,374</u>	<u>129,601,632</u>
Fund balances:				
Nonspendable	1,863,867	-	796,893	2,660,760
Restricted	8,741,397	78,740,121	58,936,419	146,417,937
Assigned	27,598,487	-	-	27,598,487
Unassigned	<u>57,707,609</u>	<u>-</u>	<u>-</u>	<u>57,707,609</u>
Total fund balances	<u>95,911,360</u>	<u>78,740,121</u>	<u>59,733,312</u>	<u>234,384,793</u>
Total liabilities and fund balances	<u>\$ 189,507,357</u>	<u>\$ 91,923,382</u>	<u>\$ 82,555,686</u>	<u>\$ 363,986,425</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances - Governmental Funds \$ 234,384,793

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,124,645,743 and the accumulated depreciation is \$356,063,231 (Note 4). 768,582,512

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, 2016 consisted of (Note 6):

General Obligation Bonds	\$ (482,376,915)	
Unamortized premiums	(5,273,557)	
Accreted interest	(30,474,668)	
PG&E energy savings loans	(447,408)	
Other postemployment benefits (Note 10)	(350,625,879)	
Net pension liability (Notes 8 and 9)	(602,346,000)	
Compensated absences	<u>(3,289,535)</u>	
		(1,474,833,962)

Internal service funds are included in the government-wide financial statements. 9,706,205

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding of the debt. 4,237,198

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	78,300,531	
Deferred inflows of resources relating to pensions	<u>(58,827,000)</u>	
		19,473,531

Unmatured interest on long-term liabilities is recognized in the period incurred. (7,315,998)

Total net position - governmental activities \$ (445,765,721)

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 574,800,258	\$ -	\$ -	\$ 574,800,258
Local sources	<u>55,748,589</u>	<u>-</u>	<u>-</u>	<u>55,748,589</u>
Total LCFF	<u>630,548,847</u>	<u>-</u>	<u>-</u>	<u>630,548,847</u>
Federal sources	71,954,072	-	48,285,997	120,240,069
Other state sources	132,940,713	-	20,445,773	153,386,486
Other local sources	<u>18,308,815</u>	<u>1,306,976</u>	<u>43,508,133</u>	<u>63,123,924</u>
Total revenues	<u>853,752,447</u>	<u>1,306,976</u>	<u>112,239,903</u>	<u>967,299,326</u>
Expenditures:				
Current:				
Certificated salaries	354,420,823	-	7,084,630	361,505,453
Classified salaries	111,908,298	-	17,681,200	129,589,498
Employee benefits	203,544,169	-	13,689,323	217,233,492
Books and supplies	68,881,253	-	23,504,731	92,385,984
Contract services and operating expenditures	75,526,330	634,521	15,851,011	92,011,862
Other outgo	4,230,303	-	-	4,230,303
Capital outlay	4,232,102	-	32,348,189	36,580,291
Debt service:				
Principal retirement	117,084	-	22,547,222	22,664,306
Interest	<u>-</u>	<u>3,898</u>	<u>16,159,055</u>	<u>16,162,953</u>
Total expenditures	<u>822,860,362</u>	<u>638,419</u>	<u>148,865,361</u>	<u>972,364,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,892,085</u>	<u>668,557</u>	<u>(36,625,458)</u>	<u>(5,064,816)</u>
Other financing sources (uses):				
Transfers in	5,391,721	90,580	46,801,413	52,283,714
Transfers out	(6,142,082)	(38,710,841)	(2,340,219)	(47,193,142)
Proceeds from issuance general obligation bonds	-	69,553,095	-	69,553,095
Debt issuance premium	-	641,203	11,382	652,585
Payment to refunding escrow	<u>-</u>	<u>(14,584,784)</u>	<u>-</u>	<u>(14,584,784)</u>
Total other financing sources (uses)	<u>(750,361)</u>	<u>16,989,253</u>	<u>44,472,576</u>	<u>60,711,468</u>
Net change in fund balances	30,141,724	17,657,810	7,847,118	55,646,652
Fund balances, July 1, 2015	<u>65,769,636</u>	<u>61,082,311</u>	<u>51,886,194</u>	<u>178,738,141</u>
Fund balances, June 30, 2016	<u>\$ 95,911,360</u>	<u>\$ 78,740,121</u>	<u>\$ 59,733,312</u>	<u>\$ 234,384,793</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances - Total Governmental Funds \$ 55,646,652

Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 45,166,813
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(29,537,204)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6).	(69,553,095)
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	(383,616)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	22,664,306
Payments made to the refunding escrow is an other financing use in governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	14,280,000
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(8,676,287)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(619,791)
Activities of the internal service fund are reported with governmental activities.	4,368,628
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	(123,550)
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 10).	(38,187,731)

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

<p>In governmental funds, public agency retirement system incentives are recognized when employers contributions are made. In the government-wide statements, public agency retirement system incentives are measured on the accrual basis (Note 6).</p>	\$	7,776,794
<p>In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).</p>		(4,401,124)
<p>Capital assets, net pension liability and related deferred inflows and deferred outflows of resources from cafeteria enterprise fund were transferred to the governmental activities.</p>		(9,833,881)
<p>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).</p>		<u>(541,821)</u>
<p>Change in net position of governmental activities</p>		<u>\$ (11,954,907)</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2016

ASSETS

Current assets:

Cash and investments (Note 2):	
Cash in County Treasury	\$ 55,478,677
Cash on hand and in banks	2,000,000
Receivables	173,536
Due from other funds (Note 3)	17,069,383
Prepaid expenditures	<u>1,863,110</u>
Total current assets	<u>76,584,706</u>

LIABILITIES

Current liabilities:

Accounts payable	10,193,267
Due to other funds (Note 3)	302,032
Self insurance claims liability (Note 5)	<u>56,383,202</u>
Total current liabilities	<u>66,878,501</u>

NET POSITION

Net position - restricted for self-insurance	<u><u>\$ 9,706,205</u></u>
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2016

Operating revenues:		
Self-insurance premiums		<u>\$ 153,649,584</u>
Operating expenses:		
Certificated salaries	383	
Classified salaries	1,328,182	
Employee benefits	617,914	
Books and supplies	42,748	
Contract services		<u>148,998,330</u>
Total operating expenses		<u>150,987,557</u>
Operating income		<u>2,662,027</u>
Non-operating revenue (expense):		
Interest income	706,601	
OPEB expense		<u>(2,000,000)</u>
Total non-operating revenue (expense)		<u>(1,293,399)</u>
Income before transfers		<u>1,368,628</u>
Transfers in		<u>3,000,000</u>
Change in net position		4,368,628
Net position, July 1, 2015		<u>5,337,577</u>
Net position, June 30, 2016		<u><u>\$ 9,706,205</u></u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 139,665,459
Cash received from user charges	6,212,265
Cash paid for employee benefits	(144,513,630)
Cash paid for salaries	(1,946,479)
Cash paid for other expenses	<u>(42,748)</u>
Net cash used in operating activities	<u>(625,133)</u>
Cash flows from noncapital financing activities:	
OPEB expense	(2,000,000)
Transfers in	<u>3,000,000</u>
Net cash provided by noncapital financing activities	<u>1,000,000</u>
Cash flows from investing activities:	
Interest income received	<u>697,904</u>
Increase in cash and investments	1,072,771
Cash and investments, July 1, 2015	<u>56,405,906</u>
Cash and investments, June 30, 2016	<u><u>\$ 57,478,677</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 2,662,027</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease (increase) in:	
Receivables	97
Amount due from other funds	(7,771,957)
Prepaid expenditures	(1,055,208)
Increase in:	
Accounts payable	3,085,041
Amount due to other funds	270,179
Unpaid claims and claim adjustment expenses	<u>2,184,688</u>
Total adjustments	<u>(3,287,160)</u>
Net cash used in operating activities	<u><u>\$ (625,133)</u></u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES
June 30, 2016

ASSETS

Current assets:

Cash and investments (Note 2):

Cash in County Treasury	\$ -
Cash on hand and in banks	-
Receivables	-
Due from other funds (Note 3)	-
Stores inventory	-
	-

Total current assets	-
----------------------	---

Capital assets (Note 4)

Less accumulated depreciation	-
-------------------------------	---

Total assets	-
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 8 and 9)	-
---	---

LIABILITIES

Current liabilities:

Accounts payable	-
Due to other funds (Note 3)	-
	-

Total current liabilities	-
---------------------------	---

Net pension liability	-
-----------------------	---

Total liabilities	-
-------------------	---

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions (Notes 8 and 9)	-
--	---

NET POSITION

Net investment in capital assets	-
Unrestricted	-
	-

Total net position	\$ -
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See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2016

Non-operating (expense) revenue:	
Transfer of capital assets and pension liability	<u>\$ 9,833,881</u>
Total non-operating expense	<u>9,833,881</u>
Transfer out	<u>(8,090,572)</u>
Change in net position	1,743,309
Total net position, July 1, 2015	<u>(1,743,309)</u>
Total net position, June 30, 2016	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
CAFETERIA FUND - BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2016

Cash flows used in capital and financing activities:	
Net transfers out	\$ <u>(13,596,179)</u>
Decrease in cash and investments	(13,596,179)
Cash and investments, July 1, 2015	<u>13,596,179</u>
Cash and investments, June 30, 2016	<u><u>\$ -</u></u>
Supplementary disclosure of non-cash transactions:	
Transfer of capital assets to the governmental activities	\$ 2,113,538
Transfer of pension liability to the governmental activities	\$ 9,408,180

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2016

	Agency Fund Student Body
ASSETS	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 485,474
Cash on hand and in bank	1,618,481
Stores inventory	<u>32,549</u>
Total assets	<u>\$ 2,136,504</u>
LIABILITIES	
Due to student groups	<u>\$ 2,136,504</u>

See accompanying notes to financial statements.

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

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

B - Other Funds

1 - Special Revenue Funds:

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

2 - Capital Project Funds:

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

3 - Debt Service Funds:

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

4 - Self Insurance Fund:

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 - Student Body Fund:

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2016.

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions. Amortization for the year ended June 30, 2016 totaled \$6,544,835.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position. Amortization for the year ended June 30, 2016 totaled \$16,538,000.

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 53,786,716</u>	<u>\$ 24,513,815</u>	<u>\$ 78,300,531</u>
Deferred inflows of resources	<u>\$ 46,057,000</u>	<u>\$ 12,770,000</u>	<u>\$ 58,827,000</u>
Net pension liability	<u>\$468,883,000</u>	<u>\$133,463,000</u>	<u>\$602,346,000</u>
Pension expense	<u>\$ 64,635,805</u>	<u>\$ 12,956,324</u>	<u>\$ 77,592,129</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$3,289,535 is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2016, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances. At June 30, 2016, the District had assigned a portion of the fund balance for the General Fund.

E - Unassigned Fund Balance:

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2016, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2016 consisted of the following:

	<u>Governmental Activities</u>		<u>Fiduciary Activities</u>	
	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>	<u>Agency Fund</u>
Pooled Funds:				
Cash in County Treasury	\$00,866,415	\$ 55,478,677	\$56,345,092	\$ 485,474
Deposits:				
Cash on hand and in banks	7,231,148	2,000,000	9,231,148	1,618,481
Cash in revolving fund	39,929	-	39,929	-
Cash awaiting deposits	<u>28,765</u>	<u>-</u>	<u>28,765</u>	<u>-</u>
Total deposits	<u>7,299,842</u>	<u>2,000,000</u>	<u>9,299,842</u>	<u>1,618,481</u>
Total cash and investments	<u>\$08,166,257</u>	<u>\$ 57,478,677</u>	<u>\$65,644,934</u>	<u>\$ 2,103,955</u>

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2016, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's accounts was \$10,851,477 and the bank balances were \$11,840,129. The total uninsured bank balance at June 30, 2016 was \$10,550,354.

Cash balances held in credit unions are insured by the National Credit Union Association. At June 30, 2016, the carrying amount of the District's accounts was \$38,081 and the bank balance was \$195,665, all of which was insured.

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

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2016 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 3,060,987	\$ 7,827,034
Building	-	13,183,261
Non-Major Funds:		
Adult Education	167,842	927,511
Child Development	47,920	2,118,576
Cafeteria Special Revenue	-	9,044,717
Deferred Maintenance	283,040	-
Capital Facilities	-	209,584
County School Facilities	12,124,304	-
Special Reserve for Capital Outlay Projects	868,051	-
Tax Override	-	8,812
Proprietary Fund:		
Self-Insurance	<u>17,069,383</u>	<u>302,032</u>
Total	<u>\$ 33,621,527</u>	<u>\$ 33,621,527</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Transfers for the 2015-2016 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to contribute to the local share by project.	\$ 35,568,759
Transfer from the Building Fund to the General Fund to contribute to Restricted Routine Maintenance.	3,142,082
Transfer from the General Fund to the Deferred Maintenance Fund for the State Deferred Allocation as received in the General Fund.	3,142,082
Transfer from the General Fund to contribute to the Self-Insurance Fund.	3,000,000
Transfer from the Tax Override Fund to the General Fund for tax adjustments.	10,325
Transfer from the Cafeteria Special Revenue Fund to the General Fund for indirect cost.	1,628,854
Transfer from the Cafeteria Fund (Fund 61) to the Cafeteria Special Revenue Fund to close the Cafeteria Fund (Fund 61).	8,090,572
Transfer from the County School Facilities Fund to the Building Fund for the reimbursement of prior year expenses.	90,580
Transfer from Child Development Fund to the General Fund for indirect costs.	431,287
Transfer from Capital Facilities Fund to the General Fund for indirect costs.	27,700
Transfer from Adult Education Fund to the General Fund for indirect costs.	<u>151,473</u>
	<u>\$ 55,283,714</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance July 1, <u>2015</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2016</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 61,136,569	\$ -	\$ -	\$ 61,136,569
Work-in-process	59,514,643	40,276,413	42,432,993	57,358,063
Depreciable:				
Land improvements	70,781,890	12,811,533	96,177	83,497,246
Buildings	865,031,348	29,621,460	1,404,816	893,247,992
Equipment	<u>17,340,737</u>	<u>12,065,136</u>	<u>-</u>	<u>29,405,873</u>
Totals, at cost	<u>1,073,805,187</u>	<u>94,774,542</u>	<u>43,933,986</u>	<u>1,124,645,743</u>
Less accumulated depreciation:				
Land improvements	(33,830,105)	(3,436,424)	(96,177)	(37,170,352)
Buildings	(278,314,552)	(22,213,678)	(1,404,816)	(299,123,414)
Equipment	<u>(10,821,165)</u>	<u>(8,948,300)</u>	<u>-</u>	<u>(19,769,465)</u>
Total accumulated depreciation	<u>(322,965,822)</u>	<u>(34,598,402)</u>	<u>(1,500,993)</u>	<u>(356,063,231)</u>
Governmental activities capital assets, net	<u>\$ 750,839,365</u>	<u>\$ 60,176,140</u>	<u>\$ 42,432,993</u>	<u>\$ 768,582,512</u>
<u>Business-Type Activities</u>				
Equipment	\$ 7,174,736	\$ -	\$ (7,174,736)	\$ -
Less accumulated depreciation	<u>(5,061,198)</u>	<u>-</u>	<u>(5,061,198)</u>	<u>-</u>
Business-Type activities capital assets, net	<u>\$ 2,113,538</u>	<u>\$ -</u>	<u>\$ (2,113,538)</u>	<u>\$ -</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2016 as follows:

Governmental activities:	
Unallocated	<u>\$ 29,537,204</u>

During the 2015-16 year, the District transferred equipment of \$7,174,736 and accumulated depreciation of \$5,061,198 from the Business-Type Activities to the Governmental Activities.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 - SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2016, 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 \$913,242 is based on an actuarial projected estimate at June 30, 2016, discounted at 0.5%. The workers' compensation claims liability of \$37,664,807 is based on an actuarial projected estimate at June 30, 2016, discounted at 1.5%. The health claims liability of \$17,805,153 is based on an actuarial projected estimate at June 30, 2016, discounted at 3.0% - 6.0%. The liability for all programs include a component for unallocated loss adjustment expenses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the claims liability for the years ended June 30, 2016 and 2015 were as follows:

	Property and Liability	Workers' Compen- sation	Health	Total
Claims liability at June 30, 2014	\$ 845,191	\$ 36,034,367	\$ 16,038,616	\$ 52,918,174
Incurred claims	1,588,876	7,180,202	137,564,514	146,333,592
Paid claims	<u>(1,564,313)</u>	<u>(6,770,864)</u>	<u>(136,718,075)</u>	<u>(145,053,252)</u>
Claims liability at June 30, 2015	<u>869,754</u>	<u>36,443,705</u>	<u>16,885,055</u>	<u>54,198,514</u>
Incurred claims	3,406,821	8,735,206	136,056,794	148,198,821
Paid claims	<u>(3,363,333)</u>	<u>(7,514,104)</u>	<u>(135,136,696)</u>	<u>(146,014,133)</u>
Claims liability at June 30, 2016	<u>\$ 913,242</u>	<u>\$ 37,664,807</u>	<u>\$ 17,805,153</u>	<u>\$ 56,383,202</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds

Issue	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	19,080,000	-	2,185,000	16,895,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	45,115,000	-	3,135,000	41,980,000
2004 Refunding 1995 Series B	1.70 - 5.25%	2004	2028	58,040,000	36,700,000	-	2,420,000	34,280,000
2001 Series D	4.125 - 5.0%	2005	2031*	31,000,000	7,450,000	-	7,450,000	-
2001 Series E	4.0 - 5.0%	2007	2031*	35,000,000	1,180,000	-	1,180,000	-
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	7,250,000	-	7,250,000	-
2001 Series F	5.48%	2009	2026	29,429,022	23,951,731	-	1,497,222	22,454,509
2010 Refunding	2.0 - 4.0%	2010	2023	12,040,000	10,260,000	-	1,210,000	9,050,000
2010 Measure Q Series A	4.726 - 5.876%	2011	2030	29,561,373	28,861,373	-	-	28,861,373
2001 Measure K Series G	5.39 - 11.814%	2011	2042	55,570,915	55,570,915	-	-	55,570,915
2010 Measure Q Series B	2.0 - 5.25%	2011	2042	50,434,849	43,289,849	-	-	43,289,849
2012 GO Refunding Series A	1.0 - 4.5%	2012	2031	39,895,000	38,450,000	-	745,000	37,705,000
2012 GO Refunding Series B	0.805 - 4.5%	2012	2022	32,390,000	27,390,000	-	3,800,000	23,590,000
2010 Measure Q Series C	2% - 5.5%	2012	2047	54,997,540	45,105,385	-	-	45,105,385
2010 Measure Q Series D	3.56% - 5.11%	2014	2048	59,996,789	59,996,789	-	5,690,000	54,306,789
2015 GO Refunding Bonds	2.0% - 5.0%	2015	2031	14,555,000	-	14,555,000	265,000	14,290,000
2010 Series E Current Interest	2.0% - 5.0%	2015	2046	49,565,000	-	49,565,000	-	49,565,000
2010 Series E Capital Appreciation	2.0% - 5.0%	2015	2032	5,433,095	-	5,433,095	-	5,433,095
				<u>\$ 673,188,583</u>	<u>\$ 449,651,042</u>	<u>\$ 69,553,095</u>	<u>\$ 36,827,222</u>	<u>\$ 482,376,915</u>

* Original maturity date was amended by 2012 GO Refunding, Series A

** Original maturity date was amended by 2012 GO Refunding, Series B

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,315,000	\$ 980,155	\$ 3,295,155
2018	2,445,000	842,815	3,287,815
2019	2,590,000	697,380	3,287,380
2020	2,740,000	543,242	3,283,242
2021	2,910,000	380,255	3,290,255
2022-2023	<u>3,895,000</u>	<u>231,280</u>	<u>4,126,280</u>
	<u>\$ 16,895,000</u>	<u>\$ 3,675,127</u>	<u>\$ 20,570,127</u>

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,350,000	\$ 2,510,000	\$ 5,860,000
2018	3,545,000	2,308,800	5,853,800
2019	3,810,000	2,095,000	5,905,000
2020	4,060,000	1,866,300	5,926,300
2021	4,305,000	1,622,100	5,927,100
2022-2026	22,690,000	3,880,800	26,570,800
2027	<u>220,000</u>	<u>6,600</u>	<u>226,600</u>
	<u>\$ 41,980,000</u>	<u>\$ 14,289,600</u>	<u>\$ 56,269,600</u>

The annual payments required to amortize the 2004 Refunding, Series 95B, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,540,000	\$ 1,742,176	\$ 4,282,176
2018	2,675,000	1,614,926	4,289,926
2019	2,815,000	1,480,926	4,295,926
2020	2,960,000	1,339,926	4,299,926
2021	3,120,000	1,191,676	4,311,676
2022-2026	18,085,000	3,425,677	21,510,677
2027-2028	<u>2,085,000</u>	<u>103,424</u>	<u>2,188,424</u>
	<u>\$ 34,280,000</u>	<u>\$ 10,898,731</u>	<u>\$ 45,178,731</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,750,295	\$ 1,182,980	\$ 2,933,275
2018	1,844,675	1,084,442	2,929,117
2019	1,944,234	980,588	2,924,822
2020	2,049,242	871,127	2,920,369
2021	2,160,006	755,752	2,915,758
2022-2026	<u>12,706,057</u>	<u>1,816,859</u>	<u>14,522,916</u>
	<u>\$ 22,454,509</u>	<u>\$ 6,691,748</u>	<u>\$ 29,146,257</u>

In October 2010, the District issued 2010 General Obligation Refunding Bonds totaling \$12,040,000. The proceeds of the 2010 General Obligation Refunding Bonds were used to refund portions of the 2001, Series D, General Obligation Bonds. The District also received a premium of \$789,371 which will be amortized over 20 years. The annual payments required to amortize the 2010 General Obligation Refunding Bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,245,000	\$ 281,425	\$ 1,526,425
2018	1,280,000	243,550	1,523,550
2019	1,310,000	202,825	1,512,825
2020	1,345,000	161,125	1,506,125
2021	1,385,000	120,175	1,505,175
2022-2023	<u>2,485,000</u>	<u>92,300</u>	<u>2,577,300</u>
	<u>\$ 9,050,000</u>	<u>\$ 1,101,400</u>	<u>\$ 10,151,400</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,154,455	\$ 1,154,455
2018	-	1,154,455	1,154,455
2019	-	1,154,455	1,154,455
2020	-	1,154,455	1,154,455
2021	-	1,154,455	1,154,455
2022-2026	11,272,062	4,941,997	16,214,059
2027-2030	<u>17,589,311</u>	<u>1,481,118</u>	<u>19,070,429</u>
	<u>\$ 28,861,373</u>	<u>\$ 12,195,390</u>	<u>\$ 41,056,763</u>

The annual payments required to amortize the 2001 Series G, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 50,648	\$ 50,648
2022-2026	2,228,947	4,557,032	6,785,979
2027-2031	14,838,394	33,841,793	48,680,187
2032-2036	19,388,605	68,285,637	87,674,242
2037-2041	16,193,706	88,262,798	104,456,504
2042	<u>2,921,263</u>	<u>9,889,368</u>	<u>12,810,631</u>
	<u>\$ 55,570,915</u>	<u>\$ 204,887,276</u>	<u>\$ 260,458,191</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 Series B, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 820,650	\$ 820,650
2018	210,000	816,450	1,026,450
2019	685,000	798,550	1,483,550
2020	1,190,000	761,050	1,951,050
2021	2,310,000	691,050	3,001,050
2022-2026	14,898,974	3,445,663	18,344,637
2027	<u>1,525,142</u>	<u>2,299,858</u>	<u>3,825,000</u>
	<u>\$ 20,819,116</u>	<u>\$ 9,633,271</u>	<u>\$ 30,452,387</u>

The annual payments required to amortize the 2010 Series B, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028-2031	\$ 5,962,074	\$ 12,672,926	\$ 18,635,000
2032-2036	8,331,696	28,435,178	36,766,874
2037-2041	6,926,096	36,860,072	43,786,168
2042	<u>1,250,867</u>	<u>8,469,133</u>	<u>9,720,000</u>
	<u>\$ 22,470,733</u>	<u>\$ 86,437,309</u>	<u>\$ 108,908,042</u>

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series A, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,995,000	\$ 1,485,294	\$ 3,480,294
2018	2,095,000	1,403,494	3,498,494
2019	2,180,000	1,315,269	3,495,269
2020	2,285,000	1,217,531	3,502,531
2021	2,365,000	1,112,906	3,477,906
2022-2026	12,330,000	4,192,804	16,522,804
2027-2031	<u>14,455,000</u>	<u>1,172,104</u>	<u>15,627,104</u>
	<u>\$ 37,705,000</u>	<u>\$ 11,899,402</u>	<u>\$ 49,604,402</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2012 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,875,000	\$ 606,373	\$ 4,481,373
2018	3,995,000	514,090	4,509,090
2019	4,750,000	410,355	5,160,355
2020	4,890,000	276,775	5,166,775
2021	3,750,000	142,487	3,892,487
2022	<u>2,330,000</u>	<u>40,775</u>	<u>2,370,775</u>
	<u>\$ 23,590,000</u>	<u>\$ 1,990,855</u>	<u>\$ 25,580,855</u>

The annual payments required to amortize the 2010 Measure Q, Series C, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,707,200	\$ 1,707,200
2018	-	1,707,200	1,707,200
2019	-	1,707,200	1,707,200
2020	-	1,707,200	1,707,200
2021	-	1,707,200	1,707,200
2022-2026	-	8,536,000	8,536,000
2027-2031	790,339	9,985,661	10,776,000
2032-2036	3,878,378	18,417,622	22,296,000
2037-2041	3,484,598	22,906,401	26,390,999
2042-2046	20,737,070	46,665,885	67,402,955
2047	<u>16,215,000</u>	<u>445,913</u>	<u>16,660,913</u>
	<u>\$ 45,105,385</u>	<u>\$ 115,493,482</u>	<u>\$ 160,598,867</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 GO Bond Series D, outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,897,400	\$ 1,897,400
2018	-	1,897,400	1,897,400
2019	-	1,897,400	1,897,400
2020	-	1,897,400	1,897,400
2021	-	1,897,400	1,897,400
2022-2026	-	9,487,000	9,487,000
2027-2031	897,376	10,449,624	11,347,000
2032-2036	4,711,334	16,455,666	21,167,000
2037-2041	5,888,079	17,819,170	23,707,249
2042-2046	16,410,000	7,257,700	23,667,700
2047-2048	<u>26,400,000</u>	<u>1,412,200</u>	<u>27,812,200</u>
	<u>\$ 54,306,789</u>	<u>\$ 72,368,360</u>	<u>\$ 126,675,149</u>

The District issued the 2015 Refunding General Obligation Bonds to refund certain portions of Election of 2001, Series D and 2007 Refunding general obligation bonds totaling \$14,280,000.

Although the advance refundings resulted in the recognition of an accounting loss of \$304,784 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$1,932,812 over the next 11 years and obtained an economic gain of \$1,312,405.

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 20,826,560
New debt service cash flows	<u>18,893,748</u>
Total cash flow difference	<u>\$ 1,932,812</u>
Present value of old debt service cash flows	\$ 16,099,218
Present value of new debt service cash flows	<u>14,786,813</u>
Economic gain	<u>\$ 1,312,405</u>

The annual payments required to amortize the 2015 Refunding General Obligation Bonds, outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 595,000	\$ 448,500	\$ 1,043,500
2018	610,000	433,400	1,043,400
2019	635,000	414,725	1,049,725
2020	655,000	392,100	1,047,100
2021	660,000	365,800	1,025,800
2022-2026	5,320,000	1,425,519	6,745,519
2027-2031	<u>5,815,000</u>	<u>594,444</u>	<u>6,409,444</u>
	<u>\$ 14,290,000</u>	<u>\$ 4,074,488</u>	<u>\$ 18,364,488</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2010 Series E, Current Interest General Obligation Bonds payable, outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,680,000	\$ 1,660,243	\$ 6,340,243
2018	500,000	1,846,944	2,346,944
2019	330,000	1,831,944	2,161,944
2020	1,065,000	1,825,344	2,890,344
2021	1,775,000	1,772,094	3,547,094
2022-2026	1,380,000	8,140,719	9,520,719
2027-2031	-	8,071,719	8,071,719
2032-2036	4,805,000	7,832,344	12,637,344
2037-2041	10,520,000	6,485,988	17,005,988
2042-2046	<u>24,510,000</u>	<u>3,219,975</u>	<u>27,729,975</u>
	<u>\$ 49,565,000</u>	<u>\$ 42,687,314</u>	<u>\$ 92,252,314</u>

The annual payments required to amortize the 2010 Series E, Capital Appreciation General Obligation Bonds payable, outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-2026	\$ 1,337,632	\$ 487,368	\$ 1,825,000
2027-2031	3,641,510	2,493,490	6,135,000
2032	<u>453,953</u>	<u>471,047</u>	<u>925,000</u>
	<u>\$ 5,433,095</u>	<u>\$ 3,451,905</u>	<u>\$ 8,885,000</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.

Public Agency Retirement System: The District implemented a Public Agency Retirement System (PARS) Supplementary Retirement Plan on November 17, 2010, which was available to non-management personnel. There are 688 participants in the Plan. The District will make non-elective employer contributions to the participants' 403(b) annuity contract held with Pacific Life Insurance Company. During the 2015-16 fiscal year, the final payment of \$7,776,794 was made for the PARS Supplementary Retirement Plan.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

<u>Year Ending June 30,</u>	<u>Annual Payments</u>
2017	\$ 117,084
2018	96,933
2019	90,216
2020	90,216
2021	51,804
2022-2026	<u>1,155</u>
Total payments remaining	<u><u>\$ 447,408</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2016 is shown below:

<u>Governmental Activities</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
General Obligation Bond	\$ 449,651,042	\$ 69,553,095	\$ 36,827,222	\$ 482,376,915	\$ 22,345,295
Unamortized premiums	4,889,941	652,585	268,969	5,273,557	274,280
Accreted interest	21,798,381	8,676,287	-	30,474,668	-
PARS	7,776,794	-	7,776,794	-	-
PG&E energy savings loans	564,492	-	117,084	447,408	117,084
Other postemployment benefits (Note 10)	312,438,148	72,682,659	34,494,928	350,625,879	-
Net pension liability (Notes 8 and 9)	475,974,820	126,371,180	-	602,346,000	-
Compensated absences	<u>2,747,714</u>	<u>541,821</u>	<u>-</u>	<u>3,289,535</u>	<u>-</u>
Totals	<u><u>\$ 1,275,841,332</u></u>	<u><u>\$ 278,477,627</u></u>	<u><u>\$ 79,484,997</u></u>	<u><u>\$ 1,474,833,962</u></u>	<u><u>\$ 22,736,659</u></u>

<u>Business-Type Activities</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Net pension liability (Notes 8 and 9)	<u>\$ 9,408,180</u>	<u>\$ -</u>	<u>\$ 9,408,180</u>	<u>\$ -</u>	<u>\$ -</u>

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2016 consisted of the following:

	General Fund	Building Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 39,929	\$ -	\$ -	\$ 39,929
Prepaid expenditures	191,560	-	634	192,194
Stores inventory	<u>1,632,378</u>	<u>-</u>	<u>796,259</u>	<u>2,428,637</u>
Subtotal nonspendable	<u>1,863,867</u>	<u>-</u>	<u>796,893</u>	<u>2,660,760</u>
Restricted:				
Unspent categorical revenues	8,741,397	-	-	8,741,397
Adult education	-	-	814,781	814,781
Cafeteria	-	-	9,979,743	9,979,743
Capital projects	-	78,740,121	17,670,995	96,411,116
Debt service	<u>-</u>	<u>-</u>	<u>30,470,900</u>	<u>30,470,900</u>
Subtotal restricted	<u>8,741,397</u>	<u>78,740,121</u>	<u>58,936,419</u>	<u>146,417,937</u>
Assigned:				
Textbooks	10,000,000	-	-	10,000,000
New CTE School	10,000,000	-	-	10,000,000
Professional Learning One-Time Funds	1,974,538	-	-	1,974,538
Technology One-Time Funds	1,910,705	-	-	1,910,705
Ongoing Routine Maintenance One-Time Funds	1,858,687	-	-	1,858,687
High School Facilities Projects	569,141	-	-	569,141
Donations	478,733	-	-	478,733
Extended Day	458,305	-	-	458,305
Apprenticeship	182,985	-	-	182,985
Secondary Science Lab Equipment	93,957	-	-	93,957
Facilities Master Plan	36,000	-	-	36,000
Goal 2 One-Time Funds	<u>35,436</u>	<u>-</u>	<u>-</u>	<u>35,436</u>
Subtotal assigned	<u>27,598,487</u>	<u>-</u>	<u>-</u>	<u>27,598,487</u>
Unassigned:				
Designated for economic uncertainty	<u>57,707,609</u>	<u>-</u>	<u>-</u>	<u>57,707,609</u>
Total fund balances	<u>\$ 95,911,360</u>	<u>\$ 78,740,121</u>	<u>\$ 59,733,312</u>	<u>\$ 234,384,793</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

CalSTRS 2% at 62

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

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

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$36,305,716 to the plan for the fiscal year ended June 30, 2016.

State -7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 468,883,000
State's proportionate share of the net pension liability associated with the District	<u>247,987,000</u>
Total	<u>\$ 716,870,000</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2015, the District's proportion was 0.696 percent, which was an increase of 0.030 percent from its proportion measured as of June 30, 2014.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$64,635,805 and revenue of \$23,829,476 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 7,835,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	38,222,000
Changes in proportion and differences between District contributions and proportionate share of contributions	17,481,000	-
Contributions made subsequent to measurement date	<u>36,305,716</u>	<u>-</u>
Total	<u>\$ 53,786,716</u>	<u>\$ 46,057,000</u>

\$36,305,716 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2017	\$ (14,211,500)
2018	\$ (14,211,500)
2019	\$ (14,211,500)
2020	\$ 10,842,500
2021	\$ 1,608,500
2022	\$ 1,607,500

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	<u>\$707,976,000</u>	<u>\$468,883,000</u>	<u>\$270,176,000</u>

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

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

General Information about the Public Employer's Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf>.

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$13,055,815 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$133,463,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2015, the District's proportion was 0.905 percent, which was an increase of 0.060 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$12,956,324. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,628,000	\$ -
Changes of assumptions	-	8,200,000
Net differences between projected and actual earnings on investments	-	4,570,000
Changes in proportion and differences between District contributions and proportionate share of contributions	3,830,000	-
Contributions made subsequent to measurement date	<u>13,055,815</u>	<u>-</u>
Total	<u>\$ 24,513,815</u>	<u>\$ 12,770,000</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

\$13,055,815 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2017	\$ (671,166)
2018	\$ (671,166)
2019	\$ (671,168)
2020	\$ 701,500

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The discount rate was 7.50 and 7.65 percent as of the June 30, 2014 and June 30, 2015 measurement dates, respectively.

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

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 217,222,000</u>	<u>\$ 133,463,000</u>	<u>\$ 63,812,000</u>

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 8 and 9, the District provides post employment health care benefits to all employees and their dependents who have served the District for 16 years under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. 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.

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

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

For the year ended June 30, 2016, the District’s contribution to the CERBT investment trust fund totaled \$3,500,000. At June 30, 2016, the balance of the CERBT investment fund was \$30,580,604. For fiscal year ended June 30, 2015, the balance invested in CERBT was previously reported in the Retiree Benefits Fund.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$ 70,170,043
Interest on net OPEB obligation	18,746,289
Adjustment to annual required contribution	<u>(16,233,673)</u>
Annual OPEB cost (expense)	72,682,659
Contributions made	<u>(34,494,928)</u>
Increase in net OPEB obligation	38,187,731
Net OPEB obligation - beginning of year	<u>312,438,148</u>
Net OPEB obligation - end of year	<u>\$ 350,625,879</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and preceding two years were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 66,210,639	45.3%	\$ 281,486,928
June 30, 2015	\$ 67,918,805	53.9%	\$ 312,438,148
June 30, 2016	\$ 72,682,659	47.5%	\$ 350,625,879

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$964.6 million, and the actuarial value of assets was \$26.2 million, resulting in an unfunded actuarial liability (UAAL) of \$938.4 million and a funded ratio of 2.7 percent. The covered payroll (annual payroll of active employees covered by the Plan) was \$426 million, and the ratio of the UAAL to the covered payroll was 220 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 3 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 29 years.

NOTE 11 - JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2015 (the most recent information available):

Total assets	\$ 84,190,668
Deferred outflows of resources	\$ 23,235,689
Total liabilities	\$ 107,108,160
Net position	\$ 318,197
Total revenues	\$ 4,713,703
Total expenses	\$ 5,949,774

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

NOTE 12 - CONTINGENCIES

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

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

Construction Commitments: As of June 30, 2016, the District has \$30.6 million in outstanding commitments on construction contracts.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 - FINANCIAL RESPONSIBILITY

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

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

The District continues to maintain a positive reserve in the current and future years as shown in the 2016/17 adopted budget and includes a conservative reserve to plan for the implementation of the Local Control Funding Formula. The District has maintained a positive financial position since 2006/07 as reflected by Moody's continued affirmation of the District's credit rating of Aa3 since 2010 during a time when other agencies have been lowered.

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

NOTE 14 - SUBSEQUENT EVENTS

In September 2016, the District issued General Obligation Refunding Bonds in the aggregate principal amount of \$120,070,988. The Refunding Bonds are being issued for the purpose of refunding all or a portion of its General Obligation Bonds, Election 2010, Series B and Series C and to pay costs of issuing the Refunding Bonds. The Refunding Bonds Series A, will bear an interest rate ranging from 4.0% to 5.0% and mature through August 2041. The Refunding Bonds Series B, will bear interest ranging from 3.1% to 4.0% and mature through August 2046.

In September 2016, the District issued General Obligation Bonds, Election of 2010, Measure Q Series F in the aggregate principal amount of \$30,010,000. The Series F Bonds were authorized at an election of the registered voters of the District held on November 2, 2010, which authorized the issuance of \$280,000,000 principal amount of general obligation bonds for the purpose of financing the acquisition, construction, upgrading and repairing of school facilities. The Series F Bonds are authorized to be issued as Current Interest Bonds and Capital Appreciation Bonds. The Series F Bonds will bear an interest rate ranging from 2.0% to 4.0% and mature through August 2041.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Over/ (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 586,789,248	\$ 586,402,340	\$ 574,800,258	\$ (11,602,082)
Local sources	<u>42,968,170</u>	<u>42,968,170</u>	<u>55,748,589</u>	<u>12,780,419</u>
Total LCFF	<u>629,757,418</u>	<u>629,370,510</u>	<u>630,548,847</u>	<u>1,178,337</u>
Federal sources	77,809,673	84,905,678	71,954,072	(12,951,606)
Other state sources	100,993,012	130,600,717	132,940,713	2,339,996
Other local sources	<u>16,638,154</u>	<u>19,353,199</u>	<u>18,308,815</u>	<u>(1,044,384)</u>
Total revenues	<u>825,198,257</u>	<u>864,230,104</u>	<u>853,752,447</u>	<u>(10,477,657)</u>
Expenditures:				
Current:				
Certificated salaries	349,701,446	372,793,908	354,420,823	18,373,085
Classified salaries	105,054,315	112,673,942	111,908,298	765,644
Employee benefits	185,958,158	211,428,249	203,544,169	7,884,080
Books and supplies	68,386,311	80,665,551	68,881,253	11,784,298
Contract services and operating expenditures	78,298,719	84,021,584	75,526,330	8,495,254
Other outgo	469,610	776,349	4,230,303	(3,453,954)
Capital outlay	13,911,797	15,881,226	4,232,102	11,649,124
Debt service:				
Principal retirement	-	-	117,084	(117,084)
Total expenditures	<u>801,780,356</u>	<u>878,240,809</u>	<u>822,860,362</u>	<u>55,380,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,417,901</u>	<u>(14,010,705)</u>	<u>30,892,085</u>	<u>44,902,790</u>
Other financing sources (uses):				
Transfers in	3,363,909	3,180,107	5,391,721	2,211,614
Transfers out	<u>(8,698,487)</u>	<u>(7,642,082)</u>	<u>(6,142,082)</u>	<u>1,500,000</u>
Total other financing uses	<u>(5,334,578)</u>	<u>(4,461,975)</u>	<u>(750,361)</u>	<u>3,711,614</u>
Net change in fund balance	18,083,323	(18,472,680)	30,141,724	48,614,404
Fund balance, July 1, 2015	<u>65,769,636</u>	<u>65,769,636</u>	<u>65,769,636</u>	-
Fund balance, June 30, 2016	<u>\$ 83,852,959</u>	<u>\$ 47,296,956</u>	<u>\$ 95,911,360</u>	<u>\$ 48,614,404</u>

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 981,000,000	\$ 981,000,000	0%	\$ 444,000,000	221%
July 1, 2012	\$ -	\$ 956,000,000	\$ 956,000,000	0%	\$ 377,000,000	254%
July 1, 2013	\$ -	\$ 820,000,000	\$ 820,000,000	0%	\$ 386,000,000	212%
July 1, 2015	\$ 26,247,632	\$ 964,604,739	\$ 938,357,107	2.72%	\$ 426,000,000	220%

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2016

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.666%	0.696%
District's proportionate share of the net pension liability	389,455,000	468,883,000
State's proportionate share of the net pension liability associated with the District	<u>235,171,000</u>	<u>247,987,000</u>
Total net pension liability	<u>\$ 624,626,000</u>	<u>\$ 716,870,000</u>
District's covered-employee payroll	296,840,000	323,258,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

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

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.845%	0.905%
District's proportionate share of the net pension liability	95,928,000	133,463,000
District's covered-employee payroll	88,704,000	100,241,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	28,705,329	36,305,716
Contributions in relation to the contractually required contribution	28,705,329	36,305,716
District's covered-employee payroll	323,258,000	338,357,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	11,799,345	13,055,815
Contributions in relation to the contractually required contribution	11,799,345	13,055,815
District's covered-employee payroll	100,241,000	110,204,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

D - Schedule of District Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50 and 7.65 percent in June 30, 2013 and June 30, 2014 actuarial reports, respectively. There were no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2016

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total
ASSETS										
Cash in County Treasury	\$ 1,142,147	\$ 19,708	\$ 6,302,031	\$ 68,587	\$ 2,250,447	\$ 6,408,361	\$ 4,467,011	\$ 30,384,866	\$ 8,779	\$ 51,051,937
Cash on hand and in banks	1,923	-	6,940,120	-	-	-	-	-	-	6,942,043
Cash collections awaiting deposit	-	-	-	-	28,765	-	-	-	-	28,765
Receivables	667,633	2,293,273	7,153,137	607	7,547	21,870	14,757	86,034	33	10,244,891
Prepaid expenditures	-	-	634	-	-	-	-	-	-	634
Due from other funds	167,842	47,920	-	283,040	-	12,124,304	868,051	-	-	13,491,157
Stores inventory	-	-	796,259	-	-	-	-	-	-	796,259
Total assets	<u>\$ 1,979,545</u>	<u>\$ 2,360,901</u>	<u>\$ 21,192,181</u>	<u>\$ 352,234</u>	<u>\$ 2,286,759</u>	<u>\$ 18,554,535</u>	<u>\$ 5,349,819</u>	<u>\$ 30,470,900</u>	<u>\$ 8,812</u>	<u>\$ 82,555,686</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 237,253	\$ 242,325	\$ 1,181,569	\$ 352,234	\$ 463,973	\$ 7,846,561	\$ -	\$ -	\$ -	\$ 10,323,915
Unearned Revenue	-	-	189,259	-	-	-	-	-	-	189,259
Due to other funds	927,511	2,118,576	9,044,717	-	209,584	-	-	-	8,812	12,309,200
Total liabilities	<u>1,164,764</u>	<u>2,360,901</u>	<u>10,415,545</u>	<u>352,234</u>	<u>673,557</u>	<u>7,846,561</u>	<u>-</u>	<u>-</u>	<u>8,812</u>	<u>22,822,374</u>
Fund balances:										
Fund balances, nonspendable	-	-	796,893	-	-	-	-	-	-	796,893
Fund balances, restricted	814,781	-	9,979,743	-	1,613,202	10,707,974	5,349,819	30,470,900	-	58,936,419
Total fund balances	<u>814,781</u>	<u>-</u>	<u>10,776,636</u>	<u>-</u>	<u>1,613,202</u>	<u>10,707,974</u>	<u>5,349,819</u>	<u>30,470,900</u>	<u>-</u>	<u>59,733,312</u>
Total liabilities and fund balances	<u>\$ 1,979,545</u>	<u>\$ 2,360,901</u>	<u>\$ 21,192,181</u>	<u>\$ 352,234</u>	<u>\$ 2,286,759</u>	<u>\$ 18,554,535</u>	<u>\$ 5,349,819</u>	<u>\$ 30,470,900</u>	<u>\$ 8,812</u>	<u>\$ 82,555,686</u>

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2016

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total
Revenues:										
Federal sources	\$ 1,318,003	\$ 1,616,726	\$ 45,351,268	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ 48,285,997
Other state sources	5,622,602	11,037,702	3,317,085	-	-	-	-	468,384	-	20,445,773
Other local sources	<u>974,450</u>	<u>222,468</u>	<u>947,372</u>	<u>4,527</u>	<u>963,619</u>	<u>90,917</u>	<u>369,714</u>	<u>39,924,741</u>	<u>10,325</u>	<u>43,508,133</u>
Total revenues	<u>7,915,055</u>	<u>12,876,896</u>	<u>49,615,725</u>	<u>4,527</u>	<u>963,619</u>	<u>90,917</u>	<u>369,714</u>	<u>40,393,125</u>	<u>10,325</u>	<u>112,239,903</u>
Expenditures:										
Current:										
Certificated salaries	2,419,814	4,664,816	-	-	-	-	-	-	-	7,084,630
Classified salaries	1,369,988	3,250,304	12,362,688	-	115,263	504,692	78,265	-	-	17,681,200
Employee benefits	1,624,240	3,754,222	8,025,409	-	48,703	201,424	35,325	-	-	13,689,323
Books and supplies	569,248	576,048	21,891,774	24,095	134,238	309,328	-	-	-	23,504,731
Contract services and operating expenditures	965,511	200,219	2,966,633	4,975,092	3,313,309	3,420,349	9,898	-	-	15,851,011
Capital outlay	-	-	54,303	-	-	32,293,886	-	-	-	32,348,189
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	22,547,222	-	22,547,222
Interest	-	-	-	-	-	-	-	<u>16,159,055</u>	-	<u>16,159,055</u>
Total expenditures	<u>6,948,801</u>	<u>12,445,609</u>	<u>45,300,807</u>	<u>4,999,187</u>	<u>3,611,513</u>	<u>36,729,679</u>	<u>123,488</u>	<u>38,706,277</u>	<u>-</u>	<u>148,865,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>966,254</u>	<u>431,287</u>	<u>4,314,918</u>	<u>(4,994,660)</u>	<u>(2,647,894)</u>	<u>(36,638,762)</u>	<u>246,226</u>	<u>1,686,848</u>	<u>10,325</u>	<u>(36,625,458)</u>
Other financing sources (uses):										
Transfers in	-	-	8,090,572	3,142,082	-	35,568,759	-	-	-	46,801,413
Transfers out	(151,473)	(431,287)	(1,628,854)	-	(27,700)	(90,580)	-	-	(10,325)	(2,340,219)
Debt issuance premium	-	-	-	-	-	-	-	11,382	-	11,382
Total other financing sources (uses)	<u>(151,473)</u>	<u>(431,287)</u>	<u>6,461,718</u>	<u>3,142,082</u>	<u>(27,700)</u>	<u>35,478,179</u>	<u>-</u>	<u>11,382</u>	<u>(10,325)</u>	<u>44,472,576</u>
Net change in fund balances	814,781	-	10,776,636	(1,852,578)	(2,675,594)	(1,160,583)	246,226	1,698,230	-	7,847,118
Fund balances, July 1, 2015	-	-	-	<u>1,852,578</u>	<u>4,288,796</u>	<u>11,868,557</u>	<u>5,103,593</u>	<u>28,772,670</u>	-	<u>51,886,194</u>
Fund balances, June 30, 2016	<u>\$ 814,781</u>	<u>\$ -</u>	<u>\$ 10,776,636</u>	<u>\$ -</u>	<u>\$ 1,613,202</u>	<u>\$ 10,707,974</u>	<u>\$ 5,349,819</u>	<u>\$ 30,470,900</u>	<u>\$ -</u>	<u>\$ 59,733,312</u>

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	<u>Balance</u> July 1, 2015	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, 2016
<u>Elementary Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 293,736	\$ 1,344,834	\$ 1,173,912	\$ 464,658
Cash on hand and in banks	216,299	639,849	735,171	120,977
Stores inventory	<u>481</u>	<u>16,295</u>	<u>16,323</u>	<u>453</u>
Total assets	<u>\$ 510,516</u>	<u>\$ 2,000,978</u>	<u>\$ 1,925,406</u>	<u>\$ 586,088</u>
Liabilities:				
Due to student groups	<u>\$ 510,516</u>	<u>\$ 2,000,978</u>	<u>\$ 1,925,406</u>	<u>\$ 586,088</u>
<u>Middle Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	269,924	905,051	881,783	293,192
Stores inventory	<u>1,270</u>	<u>136,589</u>	<u>124,387</u>	<u>13,472</u>
Total assets	<u>\$ 271,194</u>	<u>\$ 1,041,640</u>	<u>\$ 1,006,170</u>	<u>\$ 306,664</u>
Liabilities:				
Due to student groups	<u>\$ 271,194</u>	<u>\$ 1,041,640</u>	<u>\$ 1,006,170</u>	<u>\$ 306,664</u>
<u>Special Programs</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ -	\$ -	\$ -	\$ -
Cash on hand and in banks	8,397	800	274	8,923
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,397</u>	<u>\$ 800</u>	<u>\$ 274</u>	<u>\$ 8,923</u>
Liabilities:				
Due to student groups	<u>\$ 8,397</u>	<u>\$ 800</u>	<u>\$ 274</u>	<u>\$ 8,923</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>High Schools</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 17,846	\$ 13,668	\$ 10,698	\$ 20,816
Cash on hand and in banks	1,137,738	2,407,193	2,349,542	1,195,389
Stores inventory	<u>17,418</u>	<u>82,124</u>	<u>80,918</u>	<u>18,624</u>
Total assets	<u>\$ 1,173,002</u>	<u>\$ 2,502,985</u>	<u>\$ 2,441,158</u>	<u>\$ 1,234,829</u>
Liabilities:				
Due to student groups	<u>\$ 1,173,002</u>	<u>\$ 2,502,985</u>	<u>\$ 2,441,158</u>	<u>\$ 1,234,829</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments:				
Cash in County Treasury	\$ 311,582	\$ 1,358,502	\$ 1,184,610	\$ 485,474
Cash on hand and in banks	1,632,358	3,952,893	3,966,770	1,618,481
Stores inventory	<u>19,169</u>	<u>235,008</u>	<u>221,628</u>	<u>32,549</u>
Total assets	<u>\$ 1,963,109</u>	<u>\$ 5,546,403</u>	<u>\$ 5,373,008</u>	<u>\$ 2,136,504</u>
Liabilities:				
Due to student groups	<u>\$ 1,963,109</u>	<u>\$ 5,546,403</u>	<u>\$ 5,373,008</u>	<u>\$ 2,136,504</u>

FRESNO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2016

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-five elementary, fourteen middle, eight comprehensive high schools, five alternative schools, one independent study school, and two community day schools. All of the District's schools are located in Fresno County. The District is comprised of approximately 99 square miles. There were no changes to the District's boundaries during the current year.

The Board of Education at June 30, 2016 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Luis A. Chavez	President	2016
Christopher De La Cerda	Clerk	2018
Brooke Ashjian	Member	2018
Valerie F. Davis	Member	2018
Lindsay Cal Johnson	Member	2018
Carol Mills, J.D.	Member	2016
Janet Ryan	Member	2016

The Superintendent's Executive Staff at June 30, 2016 was comprised of the following:

Michael E. Hanson
Superintendent

Ruth F. Quinto
Deputy Superintendent /
Chief Financial Officer
Administrative Services

Rosario Sanchez
Associate Superintendent
Curriculum & Instruction

Alex Belanger
Assistant Superintendent
Facilities Management & Planning

Kim Mecum
Chief Academic Officer

Ed Gomes
Instructional Superintendent
School Leadership

Brian Beck
Assistant Superintendent
Special Education & Health Svcs

Paul Idsvoog
Chief Executive
Human Resources/
Labor Relations

Misty Her
Instructional Superintendent
School Leadership

Holland Locker
Assistant Superintendent
School Leadership

Jorge Aguilar
Associate Superintendent
Equity and Access, REA and Acct

Katie Russell
Instructional Superintendent
School Leadership

Maria Maldonado
Assistant Superintendent
English Learner Services

Karin Temple
Chief Operations Officer

Brian Wall
Instructional Superintendent
School Leadership

Julie Severns
Assistant Superintendent
Professional Learning

Kurt Madden
Chief Technology Officer

Melissa Dutra
Instructional Superintendent
Curriculum and Instruction

Jacque Canfield
Executive Officer

Miguel Arias
Acting Chief Information Officer
Communication Office

Bob Nelson
Chief of Staff

Kim Kelstrom
Director, Fiscal Services

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2016

	<u>Second Period Report</u>	<u>Revised Second Period Report</u>	<u>Annual Report</u>
Elementary:			
Transitional Kindergarten through Third	23,170	23,190	23,176
Fourth through Sixth	16,251	16,261	16,224
Seventh and Eighth	<u>9,809</u>	<u>9,814</u>	<u>9,757</u>
Subtotal Elementary	<u>49,230</u>	<u>49,265</u>	<u>49,157</u>
Secondary:			
Ninth through Twelfth	<u>17,305</u>	<u>17,333</u>	<u>17,071</u>
Subtotal Secondary	<u>17,305</u>	<u>17,333</u>	<u>17,071</u>
District Total	<u><u>66,535</u></u>	<u><u>66,598</u></u>	<u><u>66,228</u></u>

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2016

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>2015-2016 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>District:</u>				
Kindergarten	36,000	37,800	180	In Compliance
Grade 1	50,400	55,335	180	In Compliance
Grade 2	50,400	55,335	180	In Compliance
Grade 3	50,400	55,340	180	In Compliance
Grade 4	54,000	55,340	180	In Compliance
Grade 5	54,000	55,340	180	In Compliance
Grade 6	54,000	55,353	180	In Compliance
Grade 7	54,000	57,930	180	In Compliance
Grade 8	54,000	57,930	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Programs:		
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 42,077,896
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>77,244</u>
	Subtotal NCLB: Title I Programs		<u>42,155,140</u>
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,267,196
84.027	IDEA Local Assistance, Private School ISPs Part B, Sec. 611	10115	34,627
84.027	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	552,157
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	318,905
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	797,734
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	<u>2,495</u>
	Subtotal Special Education Cluster		<u>14,973,114</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Migrant Ed Programs:		
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	\$ 231,667
	Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	1,632,576
84.365	NCLB: Title III, Immigrant Student Program	15146	<u>68,307</u>
	Subtotal Title III Programs		<u>1,700,883</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	450,582
84.002	Adult Education: Adult Secondary Education	13978	452,100
84.002A	Adult Education: English Literacy and Civics Education	14109	153,521
84.002	Adult Education: Citizenship and Integration Direct Services Grant Program	-	<u>99,347</u>
	Subtotal Adult Education Programs		<u>1,155,550</u>
	Carl D. Perkins Career and Tech Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	1,152,912
84.048	Carl D. Perkins Career and Technical Education: Adult Section 132 (Vocational Education)	14893	<u>162,453</u>
	Subtotal Carl D. Perkins Career and Tech Education Programs		<u>1,315,365</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Teacher Programs:		
84.350	Teacher Quality Partnership Program	-	\$ 1,035,570
84.350	Transition to Teaching	-	<u>73,139</u>
	Subtotal Teacher Programs		<u>1,108,709</u>
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	5,671,172
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	628,110
84.060	Indian Education	10011	49,955
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.330	Advanced Placement Test Fee Reimbursement	-	<u>296,228</u>
	Total U.S. Department of Education		<u>69,381,767</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.179	Cooperative Agreements to Promote Adolescent Health	-	397
93.596	Child Development: Federal General and Preschool, Family Child Care Home	13609	1,616,726
93.778	Department of Health Services: Medi-Cal Billing Option	10013	<u>1,347,964</u>
	Total U.S. Department of Health and Human Services		<u>2,965,087</u>
<u>U.S. Department of Transportation - Passed through California Department of Education</u>			
20.205	Highway Planning and Construction	-	<u>658,680</u>
	Total U.S. Department of Transportation		<u>658,680</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims, Centers and Family Day Care Homes	13529	2,329,261
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	42,118,504
10.582	Child Nutrition: Fresh Fruit & Vegetable Program	14968	<u>1,883,268</u>
	Total U.S. Department of Agriculture		<u>46,331,033</u>
	Total Federal Programs		<u>\$ 119,336,567</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, 2016

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

See accompanying notes to supplemental information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2016
(UNAUDITED)

	(Adopted Budget) <u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 892,142,875	\$ 859,144,168	\$ 721,522,493	\$ 642,406,557
Expenditures	891,314,345	822,860,362	719,164,690	645,940,722
Other uses and transfers out	<u>15,749,813</u>	<u>6,142,082</u>	<u>7,088,033</u>	<u>4,636,610</u>
Total outgo	<u>907,064,158</u>	<u>829,002,444</u>	<u>726,252,723</u>	<u>650,577,332</u>
Change in fund balance	<u>\$ (14,921,283)</u>	<u>\$ 30,141,724</u>	<u>\$ (4,730,230)</u>	<u>\$ (8,170,775)</u>
Ending fund balance	<u>\$ 80,990,077</u>	<u>\$ 95,911,360</u>	<u>\$ 65,769,636</u>	<u>\$ 70,499,866</u>
Available reserves	<u>\$ 68,656,970</u>	<u>\$ 57,707,610</u>	<u>\$ 49,597,181</u>	<u>\$ 51,718,780</u>
Designated for economic uncertainties	<u>\$ 68,656,970</u>	<u>\$ 57,707,610</u>	<u>\$ 49,597,181</u>	<u>\$ 51,718,780</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>7.57%</u>	<u>6.96%</u>	<u>6.83%</u>	<u>7.95%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$1,482,107,303</u>	<u>\$1,474,833,962</u>	<u>\$1,275,841,332</u>	<u>\$ 729,004,557</u>
Average daily attendance at P-2	<u>66,458</u>	<u>66,598</u>	<u>66,534</u>	<u>66,347</u>

The General Fund fund balance has increased by \$17,240,719 over the past three years. The fiscal year 2016-2017 budget projects a deficit of \$14,921,283. 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, 2016, the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates an operating deficit in fiscal year 2016-2017.

Total long-term liabilities have increased by \$745,829,405 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 251 over the past two years. An decrease of 140 ADA is projected for the 2016-2017 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2016

<u>Charter Schools Chartered by District</u>	<u>Charter #</u>	<u>Included in District Financial Statements, or Separate Report</u>
Dailey Elementary Charter School	1172	Separate Report
Kepler Neighborhood School	1503	Separate Report
School of Unlimited Learning	0149	Separate Report
Carter G. Woodson Public Charter	0378	Separate Report
Valley Preparatory Academy	0662	Separate Report
Valley Arts and Science Academy*	0792	Separate Report
University High School	0890	Separate Report
Sierra Charter School	0898	Separate Report
Aspen Public Charter School**	1792	Separate Report

* Closed as of June 30, 2016.

** Open on August 15, 2016.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2016

NOTE 1- PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2016.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 120,240,069
Less: Child Nutrition: CACFP Claims, Centers and Family Day Care Homes funds received in excess of expenditures	10.558	<u>(903,502)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 119,336,567</u>

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2016-2017 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2016, the District did not adopt such a program.

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

Audit Committee
 Fresno Unified School District
 Fresno, California

Report on Compliance with State Laws and Regulations

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the State of California's *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2016.

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

(Continued)

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

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

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

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

We did not perform any procedures related to Immunizations because the District does not have any schools (kindergarten and 7th Grade) that did not submit immunization assessment reports to the California Department of Public Health. In addition, the District did not have any schools that reported a conditional admission rate greater than 25 percent in kindergarten.

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Fresno Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Fresno Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Fresno Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Findings 2016-002 and 2016-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Fresno Unified School District did not comply with requirements regarding Independent Study and Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Fresno Unified School District to comply with state laws and regulations.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Fresno Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2016.

(Continued)

Other Matter

Fresno Unified School District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. Fresno Unified School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 1, 2016

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

Audit Committee
Fresno Unified School District
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise Fresno Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2016-001.

(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*.

Fresno Unified School District's Response to Finding

Fresno Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Fresno Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 1, 2016

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

Audit Committee
Fresno Unified School District
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited Fresno Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fresno Unified School District's major federal programs for the year ended June 30, 2016. Fresno Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fresno Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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


Crowe Horwath LLP

Sacramento, California
December 1, 2016

FINDINGS AND RECOMMENDATIONS

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition: School Programs (NSL Sec. 11)
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants

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

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

STATE AWARDS

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

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At various school sites:

- Sub-receipts are not issued for initial receipt of cash by student body clubs.
- There is lack of evidence of dual counts of cash when funds are received by the ASB clerk/secretary.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Sub-receipts should be issued for initial receipt of cash by student body clubs.
- Evidence of dual count of cash upon receipt should be maintained.

Corrective Action Plan

The District provides training and on-site visits 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 provide additional training focused on managing sub-receipt books and cash handling procedures.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - INDEPENDENT STUDY (40000)

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.

California Education Code Section 51747 - Paragraph 8 (A) - Each written agreement shall be signed, before the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil. For purposes of this paragraph "caregiver" means a person who has met the requirements of Part 1.5 (commencing with Section 6550) of the Family Code.

Condition

At JE Young Independent Study School:

For one student two extra days were claimed for apportionment for which the student's work did not support.

Effect

The error resulted in an overstatement of 0.02 independent study ADA.

Cause

Lack of properly designed and implemented internal controls over independent study.

Fiscal Impact

No fiscal impact.

Recommendation

The District should verify that all days used in determining independent study ADA is adequately supported by student work.

Corrective Action Plan

The District included the adjustment in the Period Two Report of Attendance.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-003 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria

Education Code Section 42238.02 (b)(3)(B) - ...determine if the English learner, foster youth, and free or reduced-price meal eligible pupil counts [in CalPADS] are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition

One pupil was incorrectly classified as English Learner (EL).

Effect

We have determined based our testing procedures that the unduplicated pupil count for English Learners was overstated by 1 pupil. The error was determined to be isolated to one site - Terronez Middle School.

Terronez Middle School:

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	686	517	5	117	639
Audit adjustments	-	-	(1)	-	(1)
Adjusted counts	686	517	4	117	638

District wide:

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	70,735	46,042	915	15,300	62,257
Audit adjustments	-	-	(1)	-	(1)
Adjusted counts	70,735	46,042	914	15,300	62,257

Cause

Lack of properly designed and implemented internal controls over LCFF.

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2016-003 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL
COUNT (40000) (CONTINUED)**

Fiscal Impact

Based on the California Department of Education's workbook for estimating the cost of audit findings for unduplicated pupil counts, the audit adjustment of negative one (1) pupil resulted in an estimated cost adjustment of zero.

Recommendation

The District should have procedures in place to verify that the records maintained by the District matches what is reported in CalPADS.

Corrective Action Plan

The District has put procedures in place to verify that the records maintained by the District matches the CalPADS report.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FRESNO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2015-001</p> <p><u>Condition at various school sites:</u></p> <ul style="list-style-type: none"> • Deposits are not supported by detailed schedules to define the number of items sold and the price per item. • Monthly report of financial transactions are not prepared at the individual club level. <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> • Deposits should be supported by detailed schedules defining the number of items receipted and the unit price per item. • Monthly bank reconciliations should be reviewed by the site Principal and evidenced by a signature or initial. • Monthly report of financial transactions should be prepared for each club and reviewed by both the club advisor and site Principal. 	<p>Not implemented.</p>	<p>See current year finding 2016-001.</p>
<p>2015-002</p> <p><u>Condition at JE Young Independent School:</u></p> <ul style="list-style-type: none"> • The number of days reported for four students were overstated by five days. The student files did not have the appropriate assignment records to support the attendance days claimed. • Attendance was claimed for four students prior to the written agreement being signed by all required parties, resulting in an overstatement of five days of attendance. <p><u>Recommendation:</u> The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.</p>	<p>Partially implemented.</p>	<p>See current year finding 2016-002.</p>
