

**FRESNO UNIFIED  
SCHOOL DISTRICT**

---

ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2005**





**FRESNO UNIFIED SCHOOL DISTRICT**

**OF FRESNO COUNTY**

**FRESNO, CALIFORNIA**

**JUNE 30, 2005**

---

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Luisa Medina	President	2006
Carol Mills	Clerk	2008
Patricia R. Barr	Member	2006
Valerie Davis	Member	2006
Manuel G. Nunez	Member	2008
Janet Ryan	Member	2008
Tony Vang, Ed. D.	Member	2006

**ADMINISTRATION**

Michael E. Hanson	Superintendent
Ruth F. Quinto	Associate Superintendent/Chief Financial Officer
Terry Simerly	Associate Superintendent/Instruction Division



# FRESNO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2005

---

### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	18
Proprietary Funds - Statement of Net Assets	19
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Proprietary Funds - Statement of Cash Flows	21
Fiduciary Funds - Statement of Net Assets	23
Fiduciary Funds - Statement of Changes in Net Assets	24
Notes to Financial Statements	25

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	52
--	----

### ***ADDITIONAL INFORMATION***

General Fund - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	
---	--

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	56
Schedule of Average Daily Attendance	58
Schedule of Instructional Time	59
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	60
Schedule of Financial Trends and Analysis	61
Schedule of Charter Schools	62
Note to Supplementary Information	63

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	67
Report on State Compliance	69

# FRESNO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2005

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditors' Results	72
Financial Statement Findings	73
Federal Award Findings and Questioned Costs	75
State Award Findings and Questioned Costs	76
Summary Schedule of Prior Audit Findings	78

---

---

***FINANCIAL SECTION***

---

---

*This page left blank intentionally.*





## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Fresno Unified School District  
Fresno, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended presented component units, each major fund, and the aggregate remaining fund information of the Fresno Unified School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2004-05 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the blended presented component units, each major fund, and the aggregate remaining fund information of the Fresno Unified School District, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through \_\_\_ and budgetary comparison information on page 52, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Irvine, Day & Co., LLP

Fresno, California  
November 18, 2005



## BOARD OF EDUCATION

Luisa Medina, President  
Janet Ryan, Clerk  
Patricia R. Barr  
Valerie F. Davis  
Carol Mills, J.D.  
Manuel G. Nuñez  
Tony Vang, Ed.D..

Board of Trustees  
Fresno Unified School District  
Fresno, California 93703

**SUPERINTENDENT**  
Michael E. Hanson  
559/457-3882 • FAX 559/457-3786  
[mehanso@fresno.k12.ca.us](mailto:mehanso@fresno.k12.ca.us)

I am pleased to present the financial statements of the Fresno Unified School District (the District) for the fiscal year ended June 30, 2005, with the Independent Auditors' Reports on those financial statements and on 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 \$22,677,703.

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 Vavrinek, Trine, Day and Company, LLP rendered the attached auditors' reports. I believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the District's operations, and that the audit satisfies the requirements of the Education Code.

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

The independent auditors' reports cite no material internal control weaknesses, and no material instances of non-compliance with the requirements of federal and state programs. However, the auditors provided a list of findings and recommendations for the year ending June 30, 2005. District administration has reviewed these findings and recommendations and has positively responded to each. For the previous fiscal year, the year ended June 30, 2004, the auditors provided an analysis of the District's response to the findings and recommendations issued at that time.

The financial statements for the year ended June 30, 2005 present the District's sound financial condition and along with the MD&A as well as the included note disclosures, I believe these financial statements will provide the reader with an understanding of the District's financial affairs.

Ruth F. Quinto, CPA  
Associate Superintendent/Chief Financial Officer  
December 30, 2005





# FRESNO UNIFIED SCHOOL DISTRICT

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

We, the management of the Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This is the fourth year since the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. This discussion and analysis provides comparison between fiscal year 2004/05 and fiscal year 2003/04.

## ***FINANCIAL HIGHLIGHTS***

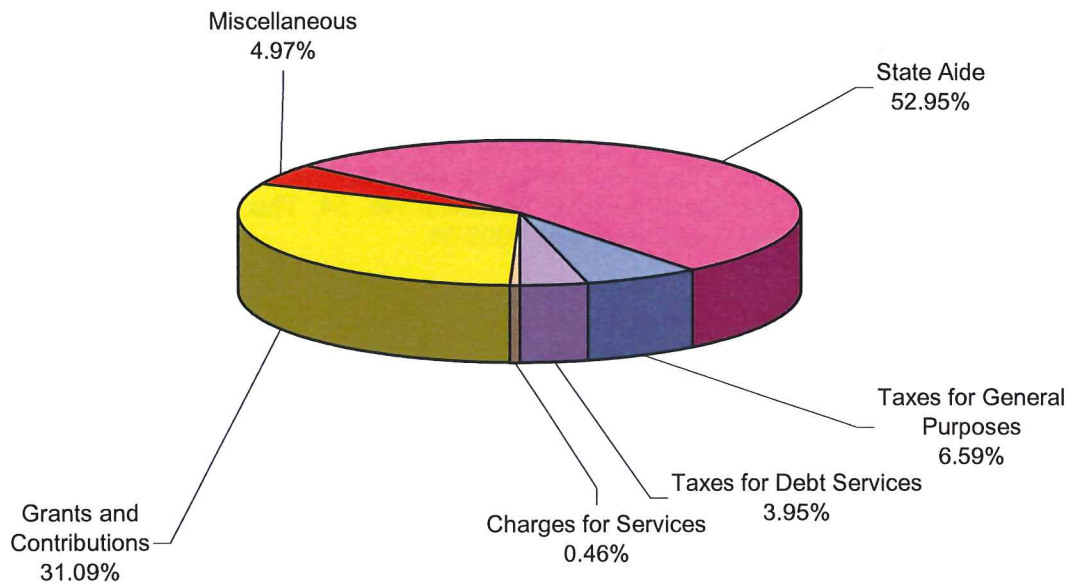
- The primary government has government-wide net assets totaling \$126 million at June 30, 2005.
- Business-type activities have a restricted net asset surplus of \$25 million.
- The total net assets of the District increased by \$20 million during fiscal year 2004/05. The increase is due to the normal scheduled payments toward the general obligation bonds, certificates of participation (COP's), accumulated vacation, capital leases, lease revenue bonds and workers' compensation liability.
- Fund balance of the District's governmental funds decreased by \$58 million resulting in an ending fund balance of \$89 million. The majority of the decrease is a result of no new issuances in Measure "K," and the construction of two new schools in the Building Fund.
- At the end of the 2004/05 fiscal year, the fund surplus in the District's General Fund decreased by \$5 million. The effects of the District's escalating health costs; declining enrollment; and the impact of the State's budget crisis are key factors to this change.
- The District's long-term obligations decreased by \$22 million to \$359 million as a result of no additional issuances of general obligation bonds or certificates of participation (COPs) during the 2004/05 fiscal year.
- The District's financial position remained steady during the 2004/05 fiscal year as reflected by Standard and Poor's affirmed credit rating of A+. This experience is as a result of the District's ability to adjust expenditure levels necessary due to declining enrollment, higher health costs and higher workers' compensation costs.
- The net assets of the District's business-type activity for Food Services increased by 2%.

# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

---

### Government-wide Revenue

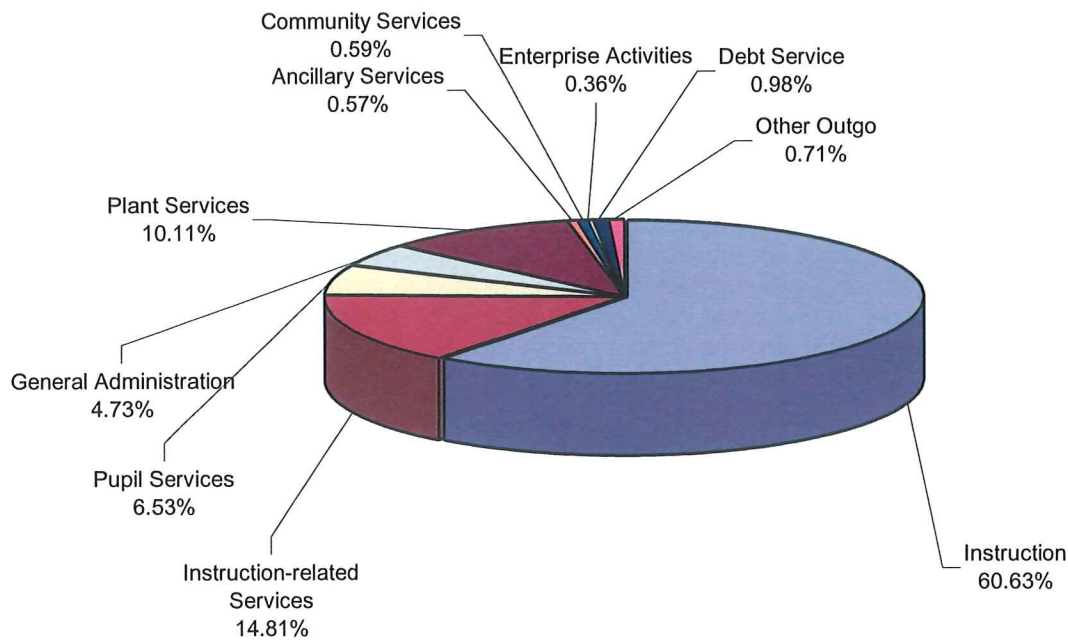


# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

---

### Government-wide Expenses



### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

#### *Government-wide Financial Statements*

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

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

# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

---

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

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

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

### Fund Financial Statements

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

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

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

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

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the General Fund is included in the fund financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds' budgetary comparisons are reported as other supplemental information.

The District maintains two types of proprietary funds. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The fund financial statements of the enterprise fund provide the same information as the government-wide financial statements only in more detail. Internal service funds are used to accumulate and allocate costs internally among the governmental functions.



# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

---

The enterprise fund is the Cafeteria Fund and is considered to be a major fund. Individual internal service fund information is presented as other supplemental information elsewhere in this document. The District's internal service funds are the Property and Liability Fund, Workers' Compensation Fund, Health Fund, and the Defined Benefits Fund.

### Notes to the Basic Financial Statements

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

### Other Information

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### Government-wide Net Assets

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

Capital assets are used in the operations of the District. These assets are land, buildings, improvement of sites and equipment. Capital assets are discussed in greater detail in Note 5, Capital Assets in the notes to the financial statements.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, long-term liabilities, and deferred revenue. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2004/05 fiscal year. Long-term liabilities such as bonds payable, COPs, and compensated absences will be liquidated from resources that will become available after the 2005/06 fiscal year.

The assets of the primary government activities exceed liabilities by \$100 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts should be eliminated to avoid the "gross up" effect on the assets and liabilities.

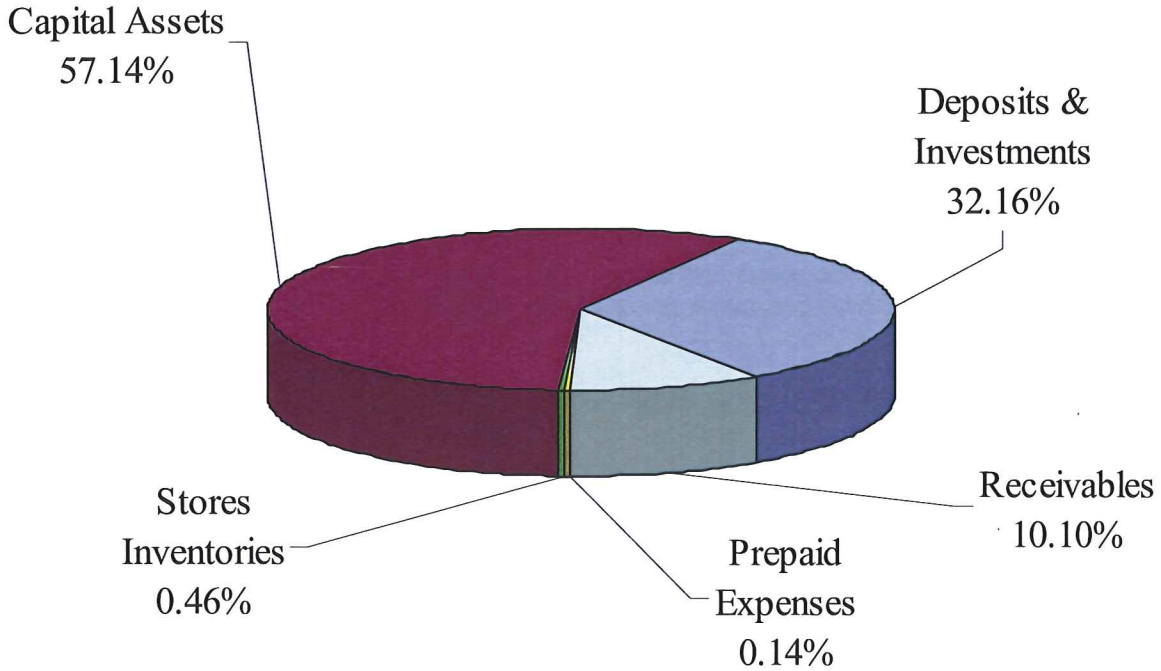
A net investment of \$353 million in land, improvement of sites, buildings, and equipment to provide the services to the District's 79,503 public school students represents 59% of the District's total assets. The chart on the next page presents a percentage illustration of the District's government assets.

**FRESNO UNIFIED SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

---

**Government-wide Net Assets**



Governmental activities – Capital Project Funds for the District provide the same type of information presented in the government-wide financial statements, but in greater detail. The following highlights significant activity in the District's building funds for fiscal year 2004/05.

- The Building Fund’s fund balance decreased by \$27 million. This fund is operating as anticipated.
- The Building Fund’s major projects and activities include the following:

○ Construction of Bakman Elementary	\$10.4 million
○ Construction of Yokomi Elementary	\$ 6.4 million
○ Site Acquisition for Olmos Elementary	\$ 3.9 million
○ Construction of New Elementary School No. 2	\$ 4.0 million
○ Modernization design and planning at Hoover	\$ 1.0 million
○ District-wide upgrade in telecommunications infrastructure	\$ 225,000
○ Resurfaced various areas at Ahwahnee Middle School	\$ 250,000
○ Enhance lighting, panels, cables, generator at Roosevelt High	\$ 273,000
○ New bleachers for gym at McLane	\$ 160,000

# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2005**

---

The District's Business-type activity increased net assets by \$492,398. The Business-type activity accounts for 20% of the District's net assets. Key elements that highlight the activities in 2004/05 fiscal year are as follows:

- The Cafeteria Fund reported net assets experienced no significant change. This fund is operating as anticipated.
- The Cafeteria Fund provides over 18,000 breakfasts and 50,000 meals and 4,000 snacks a day. 78% of the student population qualified for free or reduced price meals. Meals are served at 99 locations, utilizing 607 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.
- 65 of the District's schools qualify for Provision 2 status due to the poverty level at these schools. This allows Food Services to provide meals to all enrolled students free of charge at these sites.

### Financial Analysis of the District's Governmental Funds

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

The General Fund is the chief operating fund of the District. Student enrollment decreased by 918 students during the fiscal year according to the October 2004 CBEDS data. The average daily attendance for fiscal year 2004/05 decreased 485 from the 2003/04 fiscal year. This decrease amounts to approximately \$2.4 million, which is offset by approximately \$1.5 million in certificated salaries, as fewer teaching positions are required.

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

### General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55 percent towards classroom compensation. In 2004/05, Fresno Unified spent 62.67% towards classroom compensation.

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

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

The District was also required to present year-end projections at three different intervals (December, March and April).

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

# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2005**

---

The estimated unrestricted ending balance was \$11.8 million. The actual ending balance was \$13.7 million. Some of the main differences were due to:

- Additional federal revenue for academic testing
- Additional revenues for state mandates and unrestricted lottery
- Additional revenue in local interest related to interfund loans throughout the fiscal year
- Lower contributions to restricted programs

### Capital Assets and Debt Administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2005, was \$354 million (net of accumulated depreciation). Capital assets include land, buildings, improvement of sites, equipment, and work in progress. Capital assets experienced no change in business-type activities. Capital assets for the governmental activities increased by 15%.

Major capital events during the year are included in the governmental activities – capital projects section. Additional information on the District's capital assets can be found in Note 5 of this report.

At June 30, 2005, the District had total bonded debt outstanding of \$263 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases and certificates of participation in the amount of \$71 million still outstanding at the end of the 2004/05 fiscal year.

Total long-term debt for the District decreased during the 2004/05 fiscal year according to the normal schedule of payments.

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

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$66 million less than the maximum amount.

Additional information on the District's long-term obligations can be found in Notes 9 and 11.

### Economic Factors and Next Year's Budgets and Rates

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. It was determined that the General Fund unrestricted budget needed a \$19 million adjustment in order to balance and maintain the required 2% reserve. The reserve requirement was increased from 1% to 2% through 2005/06.

On August 17, 2005, the Board approved a Revised Adopted budget for fiscal year 2005/06. The Revised Adopted Budget includes the 2% reserve of \$9.4 million.

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

#### State Revenues

- State COLA of 5.3% on the Revenue Limit
- COLA of 4.23% on Class Size Reduction K-3
- Lottery Funding at \$138 per ADA

# FRESNO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2005**

---

### *Increased State Requirements*

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

### *Program Funds Shifting From Unrestricted to Restricted Programs*

- Implementation of the AB 825 Block Grant
- Utilization of the AB825 Block Grant Transfer Options
- Continuation of the Mega Item Transfer to support Transportation (\$0.6 million) and GATE (\$0.1 million)
- Permanent shift of County Mental Health Funds for Special Education students (\$0.4 million)
- Continuation of Group Home funding to Special Education \$1.4 million
- Continued elimination of the State Mandate revenue – loss of \$1.6 million

The assumptions with Local issues are as follows:

- Decreased District's Annual Health Contribution – a savings of \$4.0 million
- Increased Class Size Ratios – savings of \$8.8 million
- Salary Increases of 2% and 1.1% effective July 2005 and January 2006 - \$6.9 million
- Decreased District contribution to STRS – savings of \$4.9 million
- One time operational savings of District health contribution – \$5.5 million
- Adjustment to Workers' Compensation and Liability Insurance – savings of \$5.8 million
- Projected enrollment decline of 800 students
- Change in the indirect rate from 5.59% to 3.24% - a loss of \$5.7 million
- Decrease the class size by one in grades 4-12 per the contract - \$4.4 million
- Staffing K-3 classes at 1:20 normal rounding \$1.4 million in expense savings
- Restoration of the Elementary Music program - \$3.4 million
- Restoration of the Library Program - \$3.2 million
- Restoration of the campus assistants - \$0.7 million
- Restoration of nursing positions supported by unrestricted funds - \$0.9 million
- Operational costs for opening of Yokomi and Bakman - \$1.0 million
- Implementation costs for 4GL and Payroll/Personnel/Financial System - \$2.8 million

The District provides post employment medical benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees at least 57 ½ years old. For employees hired on or after July 1, 2005, the District provides five years of post employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees at least 60 years old. GASB 43 and GASB 45 are new governmental accounting standards that direct how state and local governments will account for these benefits. The District's most recent actuarial study calculated the total gross liability for post employment benefits to be \$792 million.

### *Contacting the District's Financial Management*

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the District's Office of Administrative Services at (559) 457-6200.

*This page left blank intentionally.*

# FRESNO UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2005

ASSETS	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 177,894,082	\$ 21,351,429	\$ 199,245,511
Receivables	58,405,882	4,181,729	62,587,611
Internal balances	1,970,615	(1,970,615)	-
Prepaid expenses	874,894	10,000	884,894
Stores inventories	1,790,339	1,044,955	2,835,294
Capital assets, net of accumulated depreciation	353,118,228	929,583	354,047,811
<b>Total Assets</b>	<b>594,054,040</b>	<b>25,547,081</b>	<b>619,601,121</b>
<b>LIABILITIES</b>			
Accounts payable	99,942,808	287,380	100,230,188
Deferred revenue	34,288,281	-	34,288,281
Current portion of long-term obligations	19,703,593	-	19,703,593
Noncurrent portion of long-term obligations	339,840,558	-	339,840,558
<b>Total Liabilities</b>	<b>493,775,240</b>	<b>287,380</b>	<b>494,062,620</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(4,834,103)	929,583	(3,904,520)
Restricted for:			
Debt service	32,033,501	-	32,033,501
Capital projects	23,164,262	-	23,164,262
Educational programs	8,861,576	-	8,861,576
Other activities	10,715,813	24,330,118	35,045,931
Unrestricted	30,337,751	-	30,337,751
<b>Total Net Assets</b>	<b>\$ 100,278,800</b>	<b>\$ 25,259,701</b>	<b>\$ 125,538,501</b>

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 404,117,772	\$ 1,082,667	\$ 115,098,081	\$ (3,248,035)
Instruction-related activities:				
Supervision of instruction	52,977,802	348,746	48,895,604	-
Instructional library, media and technology	7,429,502	-	1,969,283	-
School site administration	38,302,461	212,413	4,056,032	-
Pupil services:				
Home-to-school transportation	12,346,555	697,369	5,176,526	-
Food services	97,538	34,638	79,225	-
All other pupil services	31,059,248	391,754	16,099,435	-
General administration:				
Data processing	5,862,431	-	-	-
All other general administration	25,682,485	146,819	9,576,947	-
Plant services	67,401,417	45,956	4,420,903	-
Ancillary services	3,792,307	159	147,367	-
Community services	3,907,978	55,020	2,703,677	-
Enterprise services	2,375,757	17,924	454,456	-
Interest on long-term debt	6,503,748	-	-	-
Other outgo	4,711,958	111,831	4,206,421	-
Depreciation (unallocated)	11,626,853	-	-	-
<b>Total Governmental-Type Activities</b>	<b>678,195,812</b>	<b>3,145,296</b>	<b>212,883,957</b>	<b>(3,248,035)</b>
<b>Business-Type Activities</b>				
Food services	28,302,843	2,240,784	26,404,975	-
Enterprise services	-	12,899	151,999	-
<b>Total Business-Type Activities</b>	<b>28,302,843</b>	<b>2,253,683</b>	<b>26,556,974</b>	<b>-</b>
<b>Total School District</b>	<b>\$ 706,498,655</b>	<b>\$ 5,398,979</b>	<b>\$ 239,440,931</b>	<b>\$ (3,248,035)</b>
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
<b>Subtotal, General Revenues</b>				
<b>Excess (Deficiency) of Revenues Over Expenses</b>				
Net Assets - Beginning				
Net Assets - Ending				

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



**Net (Expenses) Revenues and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (291,185,059)	\$ -	\$ (291,185,059)
(3,733,452)	-	(3,733,452)
(5,460,219)	-	(5,460,219)
(34,034,016)	-	(34,034,016)
(6,472,660)	-	(6,472,660)
16,325	-	16,325
(14,568,059)	-	(14,568,059)
(5,862,431)	-	(5,862,431)
(15,958,719)	-	(15,958,719)
(62,934,558)	-	(62,934,558)
(3,644,781)	-	(3,644,781)
(1,149,281)	-	(1,149,281)
(1,903,377)	-	(1,903,377)
(6,503,748)	-	(6,503,748)
(393,706)	-	(393,706)
(11,626,853)	-	(11,626,853)
(465,414,594)	-	(465,414,594)
-	342,916	342,916
-	164,898	164,898
-	507,814	507,814
(465,414,594)	507,814	(464,906,780)
45,092,257	-	45,092,257
27,021,554	-	27,021,554
362,564,133	-	362,564,133
(1,900,133)	455,286	(1,444,847)
34,033,980	(470,704)	33,563,276
466,811,791	(15,418)	466,796,373
1,397,197	492,396	1,889,593
98,881,603	24,767,305	123,648,908
<u>\$ 100,278,800</u>	<u>\$ 25,259,701</u>	<u>\$ 125,538,501</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2005**

	<b>General Fund</b>	<b>County School Facilities Fund</b>	<b>Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 21,947,078	\$ 3,281,940	\$ 95,875,025
Receivables	53,651,392	208,276	4,093,232
Due from other funds	7,745,459	30,207,454	28,089,729
Prepaid expenses	19,800	-	-
Stores inventories	1,692,485	-	97,854
<b>Total Assets</b>	<b>\$ 85,056,214</b>	<b>\$ 33,697,670</b>	<b>\$ 128,155,840</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	49,969,520	6,882,075	3,957,714
Due to other funds	2,135,310	1,932,348	59,055,343
Deferred revenue	10,273,681	-	24,014,600
<b>Total Liabilities</b>	<b>62,378,511</b>	<b>8,814,423</b>	<b>87,027,657</b>
<b>FUND BALANCES</b>			
Reserved	10,673,961	-	97,854
Unreserved:			
Designated	11,891,710	-	-
Undesignated, reported in:			
General Fund	112,032	-	-
Special revenue funds	-	-	10,715,813
Debt service funds	-	-	32,033,501
Capital projects funds	-	24,883,247	(1,718,985)
<b>Total Fund Balance</b>	<b>22,677,703</b>	<b>24,883,247</b>	<b>41,128,183</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 85,056,214</b>	<b>\$ 33,697,670</b>	<b>\$ 128,155,840</b>

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

---

**Total  
Governmental  
Funds**

\$ 121,104,043  
57,952,900  
66,042,642  
19,800  
1,790,339  
\$ 246,909,724

60,809,309  
63,123,001  
34,288,281  
158,220,591

10,771,815

11,891,710

112,032  
10,715,813  
32,033,501  
23,164,262

88,689,133

\$ 246,909,724

*This page left blank intentionally.*

**FRESNO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

---

**Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 88,689,133</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 518,095,814
Accumulated depreciation is	<u>(164,977,586)</u>
Total capital assets	353,118,228
Internal service funds are used by the District's management to charge the costs of the workers' compensation, employee health benefits and property liability insurance programs to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities. Internal service funds net assets are:	18,015,590
Long-term liabilities at year end consist of:	
General obligation bonds	(262,198,742)
Certificates of participation	(67,930,000)
Special tax revenue bonds	(2,461,059)
Capital lease obligations	(1,283,408)
Compensated absences	(1,591,820)
Long term workers' compensation liability	<u>(24,079,122)</u>
Total long-term liabilities	<u>(359,544,151)</u>
<b>Total Net Assets - Governmental Activities</b>	<b><u><u>\$ 100,278,800</u></u></b>

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>	<b>County School Facilities Fund</b>	<b>Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Revenue limit sources	\$370,115,101	\$ -	\$ 10,013,510
Federal sources	93,373,615	-	1,502,061
Other state sources	146,067,645	-	9,386,566
Other local sources	15,853,371	487,003	32,793,342
<b>Total Revenues</b>	<u>625,409,732</u>	<u>487,003</u>	<u>53,695,479</u>
<b>EXPENDITURES</b>			
Current			
Instruction	390,127,661	-	9,080,182
Instruction-related activities:			
Supervision of instruction	52,836,701	-	923,626
Instructional library, media and technology	7,497,810	-	2,192
School site administration	35,690,075	-	2,653,073
Pupil Services:			
Home-to-school transportation	12,489,973	-	-
Food services	131,647	-	-
All other pupil services	30,806,334	-	336,975
General administration:			
Data processing	5,950,840	-	-
All other general administration	15,982,682	-	840,916
Plant services	54,811,602	4,920	12,989,800
Facility acquisition and construction	1,200,411	52,652,463	6,712,905
Ancillary services	3,792,307	-	-
Community services	2,241,480	-	1,676,176
Other outgo	4,711,958	-	-
Enterprise services	1,882,079	-	565,384
Debt service			
Principal	819,831	-	8,578,646
Interest and other	-	-	19,579,693
<b>Total Expenditures</b>	<u>620,973,391</u>	<u>52,657,383</u>	<u>63,939,568</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>4,436,341</u>	<u>(52,170,380)</u>	<u>(10,244,089)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	584,009	30,503,029	3,984,212
Other sources	795	-	-
Transfers out	(484,212)	-	(34,587,038)
<b>Net Financing Sources (Uses)</b>	<u>100,592</u>	<u>30,503,029</u>	<u>(30,602,826)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>4,536,933</u>	<u>(21,667,351)</u>	<u>(40,846,915)</u>
<b>Fund Balance - Beginning</b>	<u>18,140,770</u>	<u>46,550,598</u>	<u>81,975,098</u>
<b>Fund Balance - Ending</b>	<u>\$ 22,677,703</u>	<u>\$24,883,247</u>	<u>\$ 41,128,183</u>

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

---

**Total  
Governmental  
Funds**

\$ 380,128,611
94,875,676
155,454,211
49,133,716
<u>679,592,214</u>
399,207,843
53,760,327
7,500,002
38,343,148
12,489,973
131,647
31,143,309
5,950,840
16,823,598
67,806,322
60,565,779
3,792,307
3,917,656
4,711,958
2,447,463
9,398,477
19,579,693
<u>737,570,342</u>
<u>(57,978,128)</u>
35,071,250
795
(35,071,250)
<u>795</u>
<u>(57,977,333)</u>
146,666,466
<u>\$ 88,689,133</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005**

**Total Net Change in Fund Balances - Governmental Funds** **\$ (57,977,333)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense	\$ (11,626,853)	
Capital outlays	<u>57,885,304</u>	46,258,451

In the statement of activities, certain operating expenses - compensated absences (vacations) and workers' compensation long term liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$434,055. (434,055)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

General obligation bonds		8,465,000
Certificates of participation		8,945,000
Special tax revenue bonds		307,633
Capital lease obligations		627,018
Office of public school construction		3,025,574
Long term workers' compensation liability		1,104,197

An internal service fund is used by the District's management to charge the costs of the insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities. (8,924,288)

<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$ 1,397,197</u></u></b>
--	--	-----------------------------------

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



**FRESNO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activities Enterprise Funds Food Service</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 21,351,429	\$ 56,790,039
Receivables	4,181,729	452,982
Due from other funds	296,631	70,667
Prepaid expenses	10,000	855,094
Stores inventories	1,044,955	-
<b>Total Current Assets</b>	<u>26,884,744</u>	<u>58,168,782</u>
<b>Noncurrent Assets</b>		
Capital assets	3,380,281	-
Less: accumulated depreciation	(2,450,698)	-
<b>Total Noncurrent Assets</b>	<u>929,583</u>	<u>-</u>
<b>Total Assets</b>	<u>27,814,327</u>	<u>58,168,782</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	287,380	39,133,499
Due to other funds	2,267,246	1,019,693
<b>Total Current Liabilities</b>	<u>2,554,626</u>	<u>40,153,192</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	929,583	-
Unrestricted	24,330,118	18,015,590
<b>Total Net Assets</b>	<u>\$ 25,259,701</u>	<u>\$ 18,015,590</u>

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activities Enterprise Funds Food Service</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,237,525	\$ -
Charges to other funds and miscellaneous revenues	171,890	126,247,560
<b>Total Operating Revenues</b>	<u>2,409,415</u>	<u>126,247,560</u>
<b>OPERATING EXPENSES</b>		
Payroll costs	14,487,729	1,078,897
Professional and contract services	840,533	116,934,315
Supplies and materials	10,903,270	30,711
Facility rental	379,415	-
Other operating cost	1,490,734	-
Depreciation	201,162	-
<b>Total Operating Expenses</b>	<u>28,302,843</u>	<u>118,043,923</u>
<b>Operating Income (Loss)</b>	<u>(25,893,428)</u>	<u>8,203,637</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	455,286	720,651
Grants:		
Federal	24,312,772	-
State	1,617,766	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>26,385,824</u>	<u>720,651</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	492,396	8,924,288
<b>Total Net Assets - Beginning</b>	<u>24,767,305</u>	<u>9,091,302</u>
<b>Total Net Assets - Ending</b>	<u>\$ 25,259,701</u>	<u>\$ 18,015,590</u>

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

# FRESNO UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005

	<b>Business-Type Activities Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Food Services</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 2,409,415	\$ 8,671,599
Cash received from assessments made to other funds	-	117,362,779
Cash payments to employees for services	(14,487,729)	(1,078,897)
Cash payments for insurance claims	(63,438)	(1,637,445)
Cash payments to suppliers for goods and services	-	(30,711)
Cash payments for facility use	(544,255)	-
Cash payments for other operating expenses	(11,959,678)	(102,174,213)
Net Cash Provided (Used) for Operating Activities	<u>(24,645,685)</u>	<u>21,113,112</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating grants received	25,930,538	-
Net Cash Provided (Used) from Noncapital Financing Activities	<u>25,930,538</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(149,483)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(149,483)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	455,286	720,651
Net Cash Provided (Used) from Investing Activities	<u>455,286</u>	<u>720,651</u>
Net increase in cash and cash equivalents	1,590,656	21,833,763
Cash and cash equivalents - Beginning	19,760,773	34,956,276
Cash and cash equivalents - Ending	<u>\$ 21,351,429</u>	<u>\$ 56,790,039</u>

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005**

---

**RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES:**

Operating income (loss)	\$ (25,893,428)	\$ 8,203,637
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	149,445	-
Changes in assets and liabilities:		
Receivables	(86,631)	(276,023)
Due from other fund	1,238,573	2,482,279
Inventories	129,409	-
Accrued liabilities	(142,855)	12,248,809
Due to other fund	(40,198)	(1,566,388)
Prepays	-	20,798
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (24,645,685)</u>	<u>\$ 21,113,112</u>

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

# FRESNO UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET ASSETS JUNE 30, 2005

---

	<b>Other Private- Purpose Trust</b>
<b>ASSETS</b>	
Deposits and investments	\$ 2,200,430
Stores inventories	41,958
<b>Total Assets</b>	<u>2,242,388</u>
<b>LIABILITIES</b>	
Accounts payable	98,157
Due to scholarships	671,871
<b>Total Liabilities</b>	<u>770,028</u>
<b>NET ASSETS</b>	
Reserved for student groups	1,472,360
<b>Total Net Assets</b>	<u>\$ 1,472,360</u>

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

---

	<b>Other Private- Purpose Trust</b>
<b>ADDITIONS</b>	
Donations	\$ 6,024,408
Interest	6,097
<b>Total Additions</b>	<u>6,030,505</u>
<b>DEDUCTIONS</b>	
Expenditures	6,060,599
<b>Total Deductions</b>	<u>6,060,599</u>
<b>Change in Net Assets</b>	(30,094)
<b>Net Assets - Beginning</b>	1,502,454
<b>Net Assets - Ending</b>	<u><u>\$ 1,472,360</u></u>

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

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Fresno Unified School District was organized on July 1, 1948, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates sixty-three elementary, eighteen middle, eight comprehensive high schools, three alternative high schools, one independent study center, and three community day schools. In addition, adult school classes are conducted throughout the District and an opportunity school and vocational training school are maintained.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Fresno Unified School District, this includes general operations, food service, and student related activities of the District.

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Fresno Unified Facilities Corporation's financial activity is presented in the financial statements as the Facilities Corporation Capital Projects Fund and the COP/CFD - Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Fresno Unified Facilities Corporation.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Codification Section 2100 criteria.

#### **Manifestations of Oversight**

- The Corporation's Board of Directors were appointed by the District's Board of Education.
- The Corporation has no employees. The District's superintendent and chief financial officer function as agents of the Corporation. Neither individual receives additional compensation for work performed in this capacity.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be sole lessee of all facilities owned by the Corporation.

### Accountability for Fiscal Matters

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

### Scope of Public Service

- The Corporation was created for the sole purpose of financially assisting the District.
- The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on March 23, 1978. The Corporation was formed to provide financing assistance to the District by financing and constructing public school building and facilities for the District. Upon completion, the District intends to occupy all Corporation facilities under lease-purchase agreements effective through the year 2011. At the end of the lease term, title of all Corporation property will pass to the District for no additional consideration.
- The Corporation's financial activity is presented in the financial statements as the Corporation Building Fund and the Corporation Debt Service Fund. Certificates of Participation issued by the Corporation are included in the Long-Term Debt.

### Other Related Entities

**Charter Schools** The District has granted and approved various charter schools pursuant to Education Code Section 47605. The charter schools are required in their individual charter agreements to have an annual financial audit performed. For disclosure purposes, the financial activities of the Sunset Charter School are presented in the District's General Fund. All other charter schools have their own independent audit and their own audit reports.

### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

### Major Governmental Funds

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

### Non-Major Governmental Funds

**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. The District maintains the following special revenue funds:

**Adult Education Fund** The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from ad valorem tax levies.

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

**Building Fund** The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

**Special Reserve Fund** The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Food Service operations of the District.

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates Self-Insurance programs that are accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is used for trust funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are Associated Student Body accounts.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments held at June 30, 2005, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the debt service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the Certificate of Participation debt issuance.

### Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

### Stores Inventory

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$100,278,800 of restricted net assets, of which \$97,378,463 is restricted by enabling legislation.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are Cafeteria and Self-Insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

### Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Fresno bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

### New Accounting Pronouncements

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year. The District has implemented this pronouncement.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005. The District has implemented this pronouncement.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 177,894,082
Business-type activities	21,351,429
Fiduciary funds	2,200,430
Total Deposits and Investments	<u>\$ 201,445,941</u>

Deposits and investments as of June 30, 2005, consists of the following:

Cash on hand and in banks	\$ 3,861,875
Cash in revolving	105,100
Investments	197,478,966
Total Deposits and Investments	<u>\$ 201,445,941</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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.

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
U.S. Treasuries	\$ 3,074,297	\$ 3,074,297	\$ -	\$ -	\$ -
U.S. Agencies	5,278,293	5,278,293	-	-	-
Money Market Mutual Funds	1,214	1,214	-	-	-
County Pool	189,125,162	189,125,162	-	-	-
Total	<u>\$ 197,478,966</u>	<u>\$ 197,478,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Not Required to be Rated	Rating as of Year End		
				AAA	Aa	Unrated
<b>Held By Trustee:</b>						
U.S. Treasuries	\$ 3,074,297	N/A	\$ 3,074,297	\$ -	\$ -	\$ -
U.S. Agencies	5,278,293	N/A	5,278,293	-	-	-
Money Market Mutual Funds	1,214	Aa	-	-	1,214	-
County Pool	189,125,162	N/A	-	-	-	189,125,162
Total	<u>\$ 197,478,966</u>		<u>\$ 8,352,590</u>	<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ 189,125,162</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of \$3,237,759 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Money Market Mutual Funds of \$1,214, the District has a custodial credit risk exposure of \$1,214 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total	Cafeteria Enterprise Fund	Self Insurance Fund	Total
Federal Government							
Categorical aid	\$13,904,319	\$ -	\$ 319,580	\$ 14,223,899	\$3,688,424	\$ -	\$ 17,912,323
State Government							
Apportionment	19,888,885	-	896,837	20,785,722	-	-	20,785,722
Prior Year Apportionment	677,829	-	-	677,829	-	-	677,829
Categorical aid	3,018,315	-	489,086	3,507,401	242,285	-	3,749,686
Other state	11,442,944	-	1,600,553	13,043,497	-	-	13,043,497
Local Government							
Interest	436,557	63,276	579,024	1,078,857	139,563	296,004	1,514,424
Other Local Sources	4,282,543	145,000	208,152	4,635,695	111,457	156,978	4,904,130
Total	<u>\$53,651,392</u>	<u>\$ 208,276</u>	<u>\$ 4,093,232</u>	<u>\$ 57,952,900</u>	<u>\$4,181,729</u>	<u>\$452,982</u>	<u>\$ 62,587,611</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 45,354,890	\$ 244,222	\$ -	\$ 45,599,112
Work in progress	363,528	-	363,528	-
Total Capital Assets not Being Depreciated	<u>45,718,418</u>	<u>244,222</u>	<u>363,528</u>	<u>45,599,112</u>
Capital Assets being depreciated				
Land improvements	21,785,144	1,139,638	-	22,924,782
Buildings and improvements	379,680,302	47,629,578	-	427,309,880
Furniture and equipment	13,026,646	9,235,394	-	22,262,040
Total Capital Assets Being Depreciated	<u>414,492,092</u>	<u>58,004,610</u>	<u>-</u>	<u>472,496,702</u>
Less Accumulated Depreciation				
Land improvements	12,380,762	654,248	-	13,035,010
Buildings and improvements	138,729,927	8,943,090	-	147,673,017
Furniture and equipment	2,240,044	2,029,515	-	4,269,559
Total Accumulated Depreciation	<u>153,350,733</u>	<u>11,626,853</u>	<u>-</u>	<u>164,977,586</u>
Governmental Activities Capital Assets, Net	<u>\$ 306,859,777</u>	<u>\$ 46,621,979</u>	<u>\$ 363,528</u>	<u>\$ 353,118,228</u>
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 3,230,798	\$ 149,483	\$ -	\$ 3,380,281
Less Accumulated Depreciation	2,301,253	149,445	-	2,450,698
Business-Type Activities Capital Assets, Net	<u>\$ 929,545</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 929,583</u>

Depreciation expense was charged to governmental and business-type functions as follows:

<b>Governmental Activities</b>	
Unallocated depreciation expense	\$ 11,626,853
<b>Business-Type Activities</b>	
Cafeteria Enterprise depreciation expense	149,445
Total Depreciation Expense - All Activities	<u>\$ 11,776,298</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

---

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts for temporary loans between funds. Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds, non-major enterprise funds, and internal service funds are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 7,745,459	\$ 2,135,310
Adult	191,844	780,123
Child Development	135,329	2,432,899
Deferred Maintenance	501,378	57,878
Building	17,880,808	46,108,264
Capital Facilities	-	134,417
State School Building Lease Purchase	8,284,986	-
County School Facilities	30,207,454	1,977,618
Special Reserve Capital Outlay	1,095,384	9,496,492
Subtotal	<u>66,042,642</u>	<u>63,123,001</u>
Cafeteria Enterprise	296,631	2,267,246
Self Insurance Internal Service	70,667	1,019,693
Total	<u>\$ 66,409,940</u>	<u>\$ 66,409,940</u>

**Operating Transfers**

Interfund transfers for the year ended June 30, 2005, consisted of the following:

The General Fund transferred to the Deferred Maintenance Fund for the required State Match.	\$ 484,212
The Adult Education Fund transferred to the Building Fund for reimbursement of capital project expenditures.	3,500,000
The Building Fund transferred to the County School Facilities Fund for projects required to be accounted for in that Fund.	30,503,029
The Building Fund transferred to the General Fund for reimbursements of bond expenditures.	114,632
The Capital Facilities Fund transferred to the General Fund for reimbursements of expenditures.	99,797
The Special Reserve - Capital Projects Fund transferred to the General Fund for reimbursements of expenditures.	369,580
Total	<u>\$ 35,071,250</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2005, consisted of the following:

	General Fund
Insurance	\$ 855,094
Other	29,800
Total	<u>\$ 884,894</u>

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Subtotal	Cafeteria Enterprise Fund	Internal Service Fund	Total
Vendor payables	\$ 22,973,837	\$ 6,882,075	\$ 3,957,714	\$ 33,813,626	\$ 287,380	\$ 5,158,472	\$ 39,259,478
State categorical	65,600	-	-	65,600	-	-	65,600
Federal categorical	119,367	-	-	119,367	-	-	119,367
Deferred payroll	8,723,538	-	-	8,723,538	-	-	8,723,538
Accrued payroll	18,087,177	-	-	18,087,177	-	-	18,087,177
IBNR	-	-	-	-	-	33,975,027	33,975,027
Total	<u>\$ 49,969,519</u>	<u>\$ 6,882,075</u>	<u>\$ 3,957,714</u>	<u>\$ 60,809,308</u>	<u>\$ 287,380</u>	<u>\$ 39,133,499</u>	<u>\$ 100,230,187</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

---

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue at June 30, 2005, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 4,236,435	\$ 68,584	\$ 4,305,019
State categorical aid	5,871,878	-	5,871,878
School facilities apportionment	-	23,946,016	23,946,016
Other local	165,368	-	165,368
Total	<u>\$10,273,681</u>	<u>\$ 24,014,600</u>	<u>\$34,288,281</u>

**NOTE 9 - LONG-TERM LIABILITIES**

**Long-Term Debt Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	\$ 270,663,742	\$ -	\$ 8,465,000	\$ 262,198,742	\$ 8,505,000
Educational Facilities Corporation (COPs)	76,875,000	-	8,945,000	67,930,000	8,920,000
Accumulated vacation - net	1,157,765	1,591,820	1,157,765	1,591,820	1,591,820
Capital leases	1,910,426	-	627,018	1,283,408	379,140
Office of Public School Construction	3,025,574	-	3,025,574	-	-
Lease Revenue Bonds - 1998, Series A	2,768,692	-	307,633	2,461,059	307,633
Workers' compensation					
Liability for claims -					
Long-term portion (See Note 13)	25,183,319	-	1,104,197	24,079,122	-
Total	<u>\$ 381,584,518</u>	<u>\$ 1,591,820</u>	<u>\$ 23,632,187</u>	<u>\$ 359,544,151</u>	<u>\$ 19,703,593</u>



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Issue	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Defeased/ Redeemed	Bonds Outstanding End of Year
02/10/98	98A	08/01/2013	4.8-6.15%	\$ 33,235,000	\$ 27,705,000	\$ -	\$ 980,000	\$ 26,725,000
08/06/98	98B	08/01/2022	5.5-6.95%	26,998,742	22,218,742	-	990,000	21,228,742
10/01/99	99C	10/01/2023	4.5-5.125%	40,640,000	35,750,000	-	1,115,000	34,635,000
03/27/02	95G	08/01/2026	4.1-7.0%	15,400,000	15,265,000	-	375,000	14,890,000
05/01/04	95H	05/01/2028	3.25-6.20	10,060,000	10,060,000	-	-	10,060,000
03/27/02	01B	08/01/2026	4.375-6.75%	19,000,000	18,835,000	-	465,000	18,370,000
12/01/02	02A	08/01/2027	2.25-6.0%	65,485,000	62,810,000	-	825,000	61,985,000
05/01/03	03A	05/01/2012	2.0-3.5%	10,380,000	9,335,000	-	1,055,000	8,280,000
05/01/04	04A	05/04/2028	1.70-5.25	58,040,000	58,040,000	-	2,170,000	55,870,000
05/04/04	04R	08/01/2012	2.0-4.25%	10,645,000	10,645,000	-	490,000	10,155,000
Total					<u>\$ 270,663,742</u>	<u>\$ -</u>	<u>\$ 8,465,000</u>	<u>\$ 262,198,742</u>

### Debt Service Requirements to Maturity

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	\$ 8,505,000	\$ 13,709,374	\$ 22,214,374
2007	8,885,000	13,337,091	22,222,091
2008	9,300,000	12,937,663	22,237,663
2009	9,755,000	12,503,858	22,258,858
2010	10,265,000	12,034,897	22,299,897
2011-2015	61,650,000	51,592,896	113,242,896
2016-2020	74,400,369	38,893,115	113,293,484
2021-2025	63,798,373	17,205,523	81,003,896
2026-2027	15,640,000	1,009,450	16,649,450
Total	<u>\$ 262,198,742</u>	<u>\$ 173,223,867</u>	<u>\$ 435,422,609</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**Certificates of Participation**

The District has issued Certificates of Participation (COPs) through the Fresno Unified School District Educational Facilities Corporation since 1979 as follows:

<u>Series</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Principal Paid/ Defeased Current Year</u>	<u>Outstanding End of Year</u>
1992	1991-92	\$ 35,295,000	4.50 - 7.25%	\$ 2,575,000	\$ 5,550,000
1992A	1991-92	5,680,000	6.50 - 7.00%	85,000	640,000
1993A	1993-94	4,885,000	4.00 - 5.75%	525,000	-
1993B	1993-94	15,925,000	4.80 - 5.25%	990,000	8,570,000
1995A	1994-95	10,510,000	5.50 - 6.80%	575,000	6,910,000
1997	1997-98	20,840,000	4.00 - 5.00%	1,440,000	12,135,000
1998A	1997-98	51,930,000	4.00 - 4.75%	2,755,000	34,125,000
Total				<u>\$ 8,945,000</u>	<u>\$ 67,930,000</u>

The certificates mature through 2012 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 8,920,000	\$ 3,412,451	\$ 12,332,451
2007	10,755,000	2,927,646	13,682,646
2008	8,445,000	2,353,134	10,798,134
2009	8,965,000	1,953,554	10,918,554
2010	9,585,000	1,521,234	11,106,234
2011-2012	21,260,000	1,552,554	22,812,554
Total	<u>\$ 67,930,000</u>	<u>\$ 13,720,573</u>	<u>\$ 81,650,573</u>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$1,591,820.

**Capital Leases**

The District has entered into various capital lease arrangements. The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2004	\$ 1,910,426
Payments	<u>627,018</u>
Balance, June 30, 2005	<u>\$ 1,283,408</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2006	\$ 404,431
2007	390,797
2008	390,797
2009	74,093
2010	74,093
Total	<u>1,334,211</u>
Less: Amount Representing Interest	50,803
Present Value of Minimum Lease Payments	<u>\$ 1,283,408</u>

### **1998 Lease Revenue Bonds, Series A (Qualified Zone Academy Bonds) – Center for Advanced Research and Technology**

The District entered into an agreement to issue \$12,000,000 in lease revenue bonds (Qualified Zone Academy Bonds) with Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology. The bonds do not bear interest. In lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual Federal income tax credit to the purchasers.

Lease payments will be made by both Districts for an equal (50 percent) share of the funds necessary to repay the principal of the bonds. The Fresno Unified School District's share of the principal amounts to \$6,000,000 with annual required lease payments totaling \$307,633 due each July 15 commencing July 15, 1999, and ending July 15, 2012. The lease payments are to be placed in a Guaranteed Investment Contract paying interest at 4.785 percent. Principal payments and earned interest are projected to be sufficient to retire the bonds principal balance by October 1, 2012. The lease payments outstanding at June 30, 2005, are \$2,461,059.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 10 - FUND BALANCES**

Fund balances with reservations/designations are composed of the following elements:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>				
Revolving cash	\$ 100,100	\$ -	\$ -	\$ 100,100
Stores inventory	1,692,485	-	97,854	1,790,339
Prepaid expenditures	19,800	-	-	19,800
Legally restricted	8,861,576	-	-	8,861,576
Total Reserved	<u>10,673,961</u>	<u>-</u>	<u>97,854</u>	<u>10,771,815</u>
<b>Unreserved</b>				
<b>Designated</b>				
Economic uncertainties	10,560,870	-	-	10,560,870
Other designations	1,330,840	-	-	1,330,840
Total Designated	<u>11,891,710</u>	<u>-</u>	<u>-</u>	<u>11,891,710</u>
<b>Undesignated</b>	<u>112,032</u>	<u>24,883,247</u>	<u>41,030,329</u>	<u>66,025,608</u>
Total Unreserved	<u>12,003,742</u>	<u>24,883,247</u>	<u>41,030,329</u>	<u>77,917,318</u>
Total	<u><u>\$22,677,703</u></u>	<u><u>\$ 24,883,247</u></u>	<u><u>\$ 41,128,183</u></u>	<u><u>\$ 88,689,133</u></u>

The Building Fund and State School Building Fund ended the year with \$12,379,151 and \$128,702 deficit fund balances, respectively.

**NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2005, the following District major fund exceeded the budgeted amount in total as follows:

General	Expenditures and Other Uses		
	Budget	Actual	Excess
Debt service	<u>\$ 819,782</u>	<u>\$ 819,831</u>	<u>\$ 49</u>

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The District provides postemployment medical benefits in accordance with District employment contracts. All District employees with a minimum of 16 years of service receive health benefits for life for the employee and their dependents. Currently, former employees and their dependents are receiving these benefits. The District contributes 100 percent of the premiums. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as former employees report claims.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

The District obtained an actuarial study of the future liability of post-retirement plan benefits. The results of this study estimated the future liability to be \$792 million.

### NOTE 13 - RISK MANAGEMENT

#### Description

The District's risk management activities are recorded in the Self-Insurance Funds. The purpose of the funds are to administer employee health, property and liability and workers' compensation programs of the Fresno Unified School District on a cost-reimbursement basis. These funds account for the risk financing activities of the Fresno Unified School District, but does not constitute a transfer of risk from the Fresno Unified School District.

Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the Fresno Unified School District retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage.

#### Claims Liabilities

The District records an estimated liability for indemnity health care, workers' compensation, torts, and other claims against the Fresno Unified School District. Claims liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses and an estimate for claims incurred, but not reported based on historical experience.

#### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2003 to June 30, 2005 (in thousands):

Liability Balance, June 30, 2003	\$ 22,207
Claims and changes in estimates	104,063
Claims payments	104,094
Liability Balance, June 30, 2004	<u>22,176</u>
Claims and changes in estimates	115,245
Claims payments	103,446
Liability Balance, June 30, 2005	<u>\$ 33,975</u>
Assets available to pay claims at June 30, 2005	<u>\$ 58,169</u>

#### Trust Accounts

To facilitate the processing of claims, revolving types of trust bank accounts were established. All claims arising are handled by the District's Independent Administrators, Risk Management Resources and RX Net, who write and issue checks in settlement of claims against the District. The \$1,500,000 trust account is periodically reimbursed by the District.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### Liabilities for Claims - Workers' Compensation

The liability of \$41,579,475 is based upon an actuarial study performed in November 2004. The liability for claims represents an estimate of costs of open claims and an estimate for incurred but not reported claims (IBNR). The District has recorded a portion of the liability for claims in the Workers' Compensation Fund in the amount of \$17,500,353. The balance of the liability for claims of \$24,079,122 has been recorded in the Long-Term Debt since funds are not available in the Internal Service Fund and the ultimate liability for the Long-Term portion will be from the General Fund and applicable Special Revenue Funds.

### NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

#### STRS

##### Plan Description

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

##### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$24,227,617, \$24,644,859, and \$24,103,482, respectively, and equal 100 percent of the required contributions for each year.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

### PERS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$7,638,305, \$7,987,876, and \$2,245,815, respectively, and equal 100 percent of the required contributions for each year.

#### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to pay Social Security benefits. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings.

During the year the District made the required contribution, which was 6.2 percent of its current year covered payroll for employees not covered by STRS or PERS. Employees required and actual contributions matched that of the employer's.

#### On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$13,265,727 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2005. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

---

### NOTE 15 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2005.

#### Operating Leases

The District has entered into various operating leases for equipment with lease terms not in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors.

#### Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Street, Water, Storm Drain	\$ 12,016	December 2005
New School	1,475,288	December 2005
School Modernization	2,080,654	December 2005
Auditorium Modernization	25,500	November 2005
New School	483,997	December 2005
Modernization	21,597	December 2005
Preschool	227,476	November 2005
Total	<u>\$ 4,326,528</u>	



---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

*This page left blank intentionally.*

**FRESNO UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual <sup>1</sup> (GAAP Basis)	Variances -
	(GAAP Basis)			Favorable
	Original	Final		(Unfavorable) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$371,545,772	\$371,311,876	\$370,115,101	\$ (1,196,775)
Federal sources	84,438,241	112,323,803	93,373,615	(18,950,188)
Other state sources	116,463,394	139,094,817	133,096,966	(5,997,851)
Other local sources	13,073,006	16,030,439	15,853,371	(177,068)
<b>Total Revenues</b>	<b>585,520,413</b>	<b>638,760,935</b>	<b>612,439,053</b>	<b>(26,321,882)</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	290,727,178	296,051,880	293,097,381	2,954,499
Classified salaries	82,171,771	83,707,616	81,920,237	1,787,379
Employee benefits	147,367,264	151,266,916	149,037,947	2,228,969
Books and supplies	26,625,615	49,712,108	26,516,325	23,195,783
Services and operating expenditures	43,411,019	54,415,265	47,372,440	7,042,825
Other outgo	1,945,374	2,534,225	2,380,309	153,916
Capital outlay	3,228,530	8,938,810	6,858,242	2,080,568
Debt Service	819,782	819,782	819,831	(49)
<b>Total Expenditures</b>	<b>596,296,533</b>	<b>647,446,602</b>	<b>608,002,712</b>	<b>39,443,890</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(10,776,120)</b>	<b>(8,685,667)</b>	<b>4,436,341</b>	<b>13,122,008</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	3,134,919	541,212	584,009	42,797
Other sources	-	-	795	795
Transfers out	(3,077,919)	(484,212)	(484,212)	-
<b>Net Financing Sources (Uses)</b>	<b>57,000</b>	<b>57,000</b>	<b>100,592</b>	<b>43,592</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(10,719,120)</b>	<b>(8,628,667)</b>	<b>4,536,933</b>	<b>13,165,600</b>
<b>Fund Balance - Beginning</b>	<b>18,070,966</b>	<b>18,140,769</b>	<b>18,140,770</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,351,846</b>	<b>\$ 9,512,102</b>	<b>\$ 22,677,703</b>	<b>\$ 13,165,600</b>

1 Excludes on behalf payments made to STRS.

*This page left blank intentionally.*

---

---

*ADDITIONAL INFORMATION*

---

---

*This page left blank intentionally.*

**FRESNO UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Unrestricted <sup>1</sup></u>	<u>Restricted <sup>1</sup></u>	<u>Total Fund <sup>1</sup></u>
<b>REVENUES</b>			
Revenue limit sources	\$ 358,986,131	\$ 11,128,970	\$ 370,115,101
Federal sources	275,132	93,098,483	93,373,615
Other state sources	37,700,089	95,396,877	133,096,966
Other local sources	8,370,749	7,482,622	15,853,371
<b>Total Revenues</b>	<u>405,332,101</u>	<u>207,106,952</u>	<u>612,439,053</u>
<b>EXPENDITURES</b>			
Current			
Certificated Salaries	206,651,675	86,445,706	293,097,381
Classified salaries	41,221,598	40,698,639	81,920,237
Employee benefits	98,774,840	50,263,107	149,037,947
Books and supplies	4,122,099	22,394,226	26,516,325
Services and operating expenditures	26,673,439	20,699,001	47,372,440
Other outgo	(11,454,979)	13,835,288	2,380,309
Capital outlay	688,305	6,169,937	6,858,242
Debt service	806,831	13,000	819,831
<b>Total Expenditures</b>	<u>367,483,808</u>	<u>240,518,904</u>	<u>608,002,712</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>37,848,293</u>	<u>(33,411,952)</u>	<u>4,436,341</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	99,797	484,212	584,009
Transfers out	-	(484,212)	(484,212)
Other sources	795	-	795
Contributions	(37,685,354)	37,685,354	-
<b>Net Financing Sources (Uses)</b>	<u>(37,584,762)</u>	<u>37,685,354</u>	<u>100,592</u>
<b>NET CHANGE IN FUND BALANCES</b>	263,531	4,273,402	4,536,933
<b>Fund Balance - Beginning</b>	13,524,195	4,616,575	18,140,770
<b>Fund Balance - Ending</b>	<u>\$ 13,787,726</u>	<u>\$ 8,889,977</u>	<u>\$ 22,677,703</u>

<sup>1</sup> Excludes on behalf payments made to STRS.

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

*This page left blank intentionally.*



---

---

***SUPPLEMENTARY INFORMATION***

---

---

*This page left blank intentionally.*

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education - 321 Grant	84.002	03802	\$ 640,639
Adult Education - English Literacy	84.002	14103	360,585
Arts in Education	N/A	N/A	244,817
Ascend	N/A	N/A	261,894
Assessment Science Knowledge	N/A	N/A	25,435
No Child Left Behind			
Title I - Basic [1]	84.010	03797	41,998,242
Title I - Delinquent [1]	84.010	14357	135,824
Title I - Comprehensive School Reform [1]	84.010	03966	2,210,570
Title I - Reading First [1]	84.357	14328	3,782,085
Title I - Even Start	84.213C	13700	110,684
Title I - Program Improvement	84.010	03966	211,900
Title II - Improving Teacher Quality [1]	84.367	14341	9,143,894
Title II - Principal Training [1]	84.367	14344	54,000
Title III - Enhancing Education through Technology	84.318	14334	1,153,829
Title III - EETT - Math and Science Partners	84.318	14334	902,376
Title III - Immigrant	84.365	14346	243,293
Title III - LEP	84.365	10084	2,336,728
Title IV- Drug Free Schools	84.184	03453	1,036,363
Title VI - Innovative Strategies	84.298	03073	773,097
Title VI - CELDT Testing	84.298	14353	117,436
Safe School/Healthy Students	N/A	N/A	2,923,041
Elem and Secondary Counseling	N/A	N/A	187,665
Family Preservation	N/A	N/A	150,772
Foreign Language Assistance	N/A	N/A	11,740
Emergency Response Crisis Management	84.041	10015	176,608
High School Pupil Success Act	N/A	02951	59,893
Homeless Child and Youth	84.136	13697	160,045
Magnet School Assistance	84.156A	04052	2,071,573
Operation RID	N/A	N/A	175,142
Nutrition Network Grant	N/A	N/A	163,631
Indian Education	84.014	10011	143,023
Migrant Education [1]			
Regular School 2004/05	84.011	03628	2,773,836
Summer School 2004/05	84.011	03628	653,863
Special Education - State Grants			
Local Assistance	84.027	03379	12,922,839
Early Intervention	84.181	23761	95,874
Interpreter Certification	84.027	01802	1,234
Preschool Staff Development	84.173	03431	4,568
Staff Development	84.027	03613	27,824
Idea Preschool	84.027	03379	\$ 1,000,512

[1] Major program under OMB Circular A-133 guidelines.

[2] National Food Distribution not recorded in District Financial Statements.

See accompanying note to supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
21st Century - Community Learning Center	84.287	14349	\$ 560,781
Improvement Education	N/A	N/A	31,629
Smaller Learning	84.215	03063	296,611
Star Testing	N/A	14353	119,988
Mentoring Program	N/A	N/A	106,394
Teaching American History	N/A	N/A	299,509
Urban Systemic Program	N/A	N/A	938,671
Vocational Educational Grants			
Carl Perkins	84.048	03569	1,015,340
Carl Perkins - Adult	84.048	03569	446,016
Total U.S. Department of Education			<u>93,262,313</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Children's Center Food Program			
Child Development Center	10.558	03755	37,704
National Food Distribution [2]	10.550	03755	740,058
National School Lunch	10.555	03755	24,312,772
Total U.S. Department of Agriculture			<u>25,090,534</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through CDE:			
Child Development Quality Improvement	93.575	03942	41,555
Child Development School age Resource	93.575	13341	3,285
Child Development Infant/Toddler	93.575	03942	9,980
Medi-Cal Option Billing	93.767	10013	803,596
Total U.S. Department of Health & Human Services			<u>858,416</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through CDE:			
WIA - Youth Collaborative	17.250	03770	635,474
WIA - Carol M White - Physical Ed	17.255	03422	81,769
Total U.S. Department of Labor			<u>717,243</u>
Total Expenditures of Federal Awards			<u>\$119,928,506</u>

[1] Major program under OMB Circular A-133 guidelines.

[2] National Food Distribution not recorded in District Financial Statements.

See accompanying note to supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	5,566.73	5,606.08
First through third	17,524.83	17,538.23
Fourth through sixth	17,420.66	17,391.72
Seventh and eighth	11,317.89	11,249.44
Home and hospital	2.30	3.73
Community day school	28.22	30.51
Special education	1,375.06	1,389.63
Total Elementary	53,235.69	53,209.34
<b>SECONDARY</b>		
Regular classes	18,300.07	17,916.37
Continuation education	858.47	847.88
Home and hospital	2.33	5.14
Special education	898.66	886.96
Total Secondary	20,059.53	19,656.35
Total K-12	73,295.22	72,865.69
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	206.86	233.17
Not concurrently enrolled	3,581.57	3,807.86
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	233.05	242.39
Total Classes for Adults	4,021.48	4,283.42
Grand Total	77,316.70	77,149.11
		<b>Hours of Attendance</b>
<b>SUMMER SCHOOL AND OTHER SUPPLEMENTARY PROGRAMS</b>		
Elementary		
Core Instruction		197,980
Remedial Instruction		284,968
Pupils Retained/Recommended for Retention		121,230
Pupils at Risk of Retention		104,426
Pupils with Low STAR Scores		62,335
High school		
Core Instruction		181,540
Remedial Instruction		595,364
Total Hours		1,547,843

See accompanying note to supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2005**

---

Grade Level	1982-83	1986-87	2004-05	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,000	180	176	Complied
Grades 1 - 3	43,095	50,400	50,400	180	176	Complied
Grades 4 - 6	54,000	54,000	54,045	180	176	Complied
Grades 7 - 8	54,000	54,000	55,200	180	N/A	Complied
Grades 9 - 12	54,560	64,800	64,800	180	N/A	Complied

See accompanying note to supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Capital Facilities Fund	State School Building Fund	Bond Interest Redemption Fund	Self Insurance Fund	Cafeteria Enterprise Fund
<b>FUND BALANCE</b>						
Balance, June 30, 2005,						
Unaudited Actuals	\$22,565,671	\$7,954,815	\$ -	\$ 16,351,917	\$ 18,099,678	\$ 25,436,616
Adjustments and reclassifications:						
Cash	(180,158)	(66,285)	(128,702)	(133,631)	(239,801)	(176,915)
Accounts receivable	433,930	-	-	-	155,713	-
Accounts payable	(141,740)	-	-	-	-	-
Balance, June 30, 2005,						
Audited Financial Statement	<u>\$22,677,703</u>	<u>\$7,888,530</u>	<u>\$ (128,702)</u>	<u>\$ 16,218,286</u>	<u>\$ 18,015,590</u>	<u>\$ 25,259,701</u>

Summarized below are the Form Debt reconciliations between the Unaudited Actual Financial Report, and the audited financial statements:

<b>FORM DEBT</b>	
Total Liabilities, June 30, 2005, Unaudited Actuals	\$ 363,580,343
Adjustments	
Increase in:	
COPS	1,045,000
Decrease in:	
General obligation bonds	(1,520,000)
Workers' compensation	(3,561,192)
Total Liabilities, June 30, 2005, Audited Financial Statement	<u>\$ 359,544,151</u>

See accompanying note to supplementary information.

# FRESNO UNIFIED SCHOOL DISTRICT

## SCCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 <sup>1</sup>	2005	2004	2003
<b>GENERAL FUND</b>				
Revenues	\$ 610,343,034	\$ 612,439,053	\$ 582,332,850	\$ 587,207,045
Other sources and transfers in	3,148,875	584,804	1,617,706	2,784,518
Total Revenues and Other Sources	<u>613,491,909</u>	<u>613,023,857</u>	<u>583,950,556</u>	<u>589,991,563</u>
Expenditures	604,636,073	608,002,712	590,733,000	595,664,720
Other uses and transfers out	3,076,875	484,212	-	2,716,132
Total Expenditures and Other Uses	<u>607,712,948</u>	<u>608,486,924</u>	<u>590,733,000</u>	<u>598,380,852</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 5,778,961</u>	<u>\$ 4,536,933</u>	<u>\$ (6,782,444)</u>	<u>\$ (8,389,289)</u>
ENDING FUND BALANCE	<u>\$ 28,456,664</u>	<u>\$ 22,677,703</u>	<u>\$ 18,140,770</u>	<u>\$ 24,923,214</u>
AVAILABLE RESERVES <sup>2,4</sup>	<u>\$ 16,339,831</u>	<u>\$ 10,560,870</u>	<u>\$ 11,400,106</u>	<u>\$ 11,967,617</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>2.69%</u>	<u>1.74%</u>	<u>1.93%</u>	<u>2.00%</u>
LONG-TERM DEBT	<u>\$ 341,450,000</u>	<u>\$ 359,544,151</u>	<u>\$ 381,584,518</u>	<u>\$ 379,456,869</u>
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	<u>72,734</u>	<u>73,295</u>	<u>73,780</u>	<u>74,220</u>

The General Fund balance has decreased by \$2,245,511 over the past two years. The fiscal year 2005-06 budget projects an increase of \$5,778,961 (25.5 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2005-06 fiscal year. Total long-term debt has decreased by \$19,912,718 over the past two years.

Average daily attendance has decreased by 485 ADA over the past year. A decline of 561 ADA is anticipated during the 2005-06 fiscal year.

1 Budget 2006 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

3 Excludes Adult Education ADA.

4 On behalf payments have been excluded from the calculation of available reserves for fiscal years ending June 30, 2005, 2004, and 2003, respectively.

See accompanying note to supplementary information.



# FRESNO UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2005

---

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Fresno Prep Academy	No
KIPP Academy	No
New Millennium Institute of Education	No
School of Unlimited Learning	No
Carter G. Woodson Public Charter	No
Valley Preparatory Academy Charter School	No
Center of Advanced Technology (CART)	No
Sunset Charter School	Yes

See accompanying note to supplementary information.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

---

### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) 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.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

---

---

***INDEPENDENT AUDITORS' REPORTS***

---

---

*This page left blank intentionally.*



**INDEPENDENT AUDITORS' 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***

Board of Trustees  
Fresno Unified School District  
Fresno, California

We have audited the financial statements of the governmental activities, the business-type activities, the blended presented component units, each major fund, and the aggregate remaining fund information of Fresno Unified School District as of and for the year ended June 30, 2005, which collectively comprise the Fresno Unified School District's basic financial statements and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fresno Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Fresno Unified School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2005-1 through 2005-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Fresno Unified School District in a separate letter dated November 18, 2005.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Irvine, Day & Co., LLP*

Fresno, California  
November 18, 2005



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

Board of Trustees  
Fresno Unified School District  
Fresno, California

**Compliance**

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Fresno Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

In our opinion, Fresno Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

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

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

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Irvine, Day & Co., LLP*

Fresno, California  
November 18, 2005





**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Trustees  
 Fresno Unified School District  
 Fresno, California

We have audited the financial statements of the governmental activities, the business-type activities, the blended presented component units, each major fund, and the aggregate remaining fund information of Fresno Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. We conducted our audit 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 *2004-05 Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Fresno Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Fresno Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	No (see below)

	Procedures in Controller's Audit Guide	Procedures Performed
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Not Applicable
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE)		
Program	3	Yes
School Accountability Report Card	3	No (see below)

We did not perform testing for Community Day Schools because the ADA reported was below the State recommended testing level. Additionally, we did not perform testing for School Accountability Report Card because the report was prepared prior to January 1, 2005, before the requirement became law.

Based on our audit, we found that for the items tested, the Fresno Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Fresno Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Fresno Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Urine, Day & Co., LLP*

Fresno, California  
November 18, 2005

---

---

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

---

---

*This page left blank intentionally.*

**FRESNO UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2005**

---

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Cluster</u>
<u>84.367</u>	<u>Title II</u>
<u>84.011</u>	<u>Migrant Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,597,855</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weakness identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

---

The following findings represent reportable conditions and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

**2005-1 30000**

### *Going Concern*

#### **Finding**

The District percentage of available reserve this year was 1.74 percent. Normally the District would need to maintain 2.0 percent. The State has allowed, for this year, all districts in California to maintain only half of their required reserves, but next year the District will need to maintain the full 2.0 percent.

#### **Recommendation**

The District should develop a specific plan to address the above listed serious financial conditions and develop monitoring procedures to ensure that the financial plan is being implemented and achieving the projected results.

#### **District Response**

The District concurs with the auditors' findings and has taken action to improve the reserves over the 2.0 percent requirement in the 2005-06 fiscal year.

**2005-2 30000**

### *Old Receivables*

#### **Finding**

In our testing on the validity of year-end accruals for accounts receivables, we noted that the collection of the following items is probably doubtful.

<u>Fund</u>	<u>181-270 Days</u>	<u>More Than 270 Days</u>	<u>Total</u>
General	\$ 90,935	\$ 68,055	\$ 158,990
Adult	1,220	-	1,220
Cafeteria			
Enterprise	498	62,153	62,651
Self Insurance	-	450	450
Total	<u>\$ 92,653</u>	<u>\$ 130,658</u>	<u>\$ 223,311</u>

# FRESNO UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

---

### **Recommendation**

The District should review the collection history on these accounts, and establish a bad debt allowance that would reflect the collection history for these types of receivables.

### **District Response**

The District concurs with the auditors' finding. The District routinely reviews its accounts receivables for collectability. Corrective action will be taken as needed to properly write off receivables older than 12 months old.

**FRESNO UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

---

There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance including questioned costs that were required to be reported by OMB Circular A-133.



# FRESNO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

---

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance

2005-3    10000

*Vinland Elementary School*

*Absence Data Entry*

**Finding**

In tracing absent documentation to computer attendance reports, several instances were noted where the student was marked absent on the attendance register and phone log but was reported as being present on the monthly report. Out of twenty-five absences tested, three were not reported on the attendance report.

**Recommendation**

Based on the frequency of errors reported, additional controls are needed to detect attendance discrepancies. Site should implement additional controls designed to detect attendance recording errors. For example, the attendance clerk could perform a random check of absences against the monthly attendance report. This procedure would be applied on a sample basis only, but would serve as additional safeguard against attendance discrepancies.

**District Response**

The District has verified and updated in the mainframe as deemed necessary. In addition, the adjustment was made to the P-2 report as well as a one-on-one training from Fiscal Services with site personnel regarding attendance compliance and verification.

# FRESNO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

---

2005-4 10000

### *Cambridge High Continuation School*

#### *Absence Data Entry*

#### **Finding**

Instances were noted where the student was marked absent on the scantrons but was reported as being present on the monthly report. Out of twenty-three absences tested, four were not reported on the attendance report. The discrepancy is due to changes being made directly to the attendance system by the attendance clerk after teachers have taken their daily attendance. The clerk then prints out the attendance reports and has the teachers certify them (teachers do not correct their scantrons). The site is unable to locate the correction documentations for the errors that we found.

#### **Recommendation**

The site should implement better procedure for keeping the clerk's attendance reports that were certified by teachers after changes being made directly to the attendance system.

#### **District Response**

Since the audit, the site has changed their attendance filing from the date the change was made chronologically to file by student's name. In addition, the site is preparing to change to new attendance software which should make data entry and recordkeeping more effective.

# FRESNO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

---

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### Financial Statement Findings

**2004-1      60000**

#### *Going Concern*

#### **Finding**

The District is projecting not to maintain the State's required available reserves for economic uncertainties of 2.0 percent or \$11,987,489 for 2004-05. The District is projecting to under fund the reserve for the 2004-05 fiscal year by \$7,458,881. In addition, the District is projecting a deficit in the 2005-06 fiscal year in excess of \$40 million. Also, the General Fund has a potential liability to the Workers' Compensation Self-Insurance Fund of \$34,595,734.

#### **Recommendation**

The District should develop a specific plan to address the above listed serious financial conditions and develop monitoring procedures to ensure that the financial plan is being implemented and achieving the projected results.

#### **Current Status**

Partially implemented. See current year findings and recommendations.

**2004-2      60000**

#### **Finding**

In our verifying of the Cash in County Treasurer, we noted that the June 30, 2004, balance for the General Fund had a deficit of \$7,484,377. This would generally indicate that the District is going to have problems meeting its financial obligation in the year 2005-06.

#### **Recommendation**

The District should develop a specific plan to address the above listed serious financial conditions and develop monitoring procedures to ensure that the financial plan is being implemented and achieving the projected results.

#### **Current Status**

Implemented.

# FRESNO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

---

2004-3 30000

### *Self Insuring*

#### **Finding**

An internal review by the Administration of the individuals carried on the benefit listing of the Health and Benefit Fund, disclosed that over 200 individuals were improperly listed as eligible to receive benefits. This has resulted in an overpayment of administrative fees for the Health and Benefit Fund.

#### **Recommendation**

The District should continue to pursue the refunding of the overpayment of Administrative fees and the monitoring of the benefit listings so that only eligible individuals are listed.

#### **Current Status**

Implemented.

2004-4 30000

### *Personnel and Payroll*

#### **Finding**

An examination conducted by the District's Internal Audit disclosed that the Human Resources Department does not receive termination notices in a timely manner. As a result of the late termination notices, overpayments are made to employees who remain on the payroll system after their effective termination date. In some instances the notices were not submitted timely by the school sites to Human Resources. In some cases the notices were sent by the sites to the wrong departments and not to Human Resources. In other case the notices were processed by Human Resources after the payroll cutoff date which resulted in overpayments.

# FRESNO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

---

### Recommendation

The Notification of Resignation form should be filled out and sent to the Human Resources Department immediately by the sites. Human Resources personnel should promptly input the data into the system. If a department other than Human Resources receives a resignation notice, that department must also send the notice immediately to the Human Resources Department for processing. Site personnel should be informed of the importance of obtaining resignation forms and submitting them in a timely manner to the Human Resource Department. Prior to the processing of payroll, the Human Resources Department should notify payroll of any unprocessed employees so that payroll can then make the necessary changes. If other departments require a copy of the resignation notice, the Human Resources Department should issue a copy to those departments, but in all cases the sites should know that the forms should be sent to the Human Resources Department. Also, there must be better coordination and communication between the Payroll and Human Resources Departments.

### Current Status

Implemented.

### State Award Findings

2004-5 10000

#### *Viking Elementary and Pyle Elementary School*

#### *Retentions*

#### **Finding**

We noted four students that were retained in kindergarten beyond their one year anniversary date that did not have a "Permission to Retain" form approved in form and content by the State Department of Education, signed by the parent/guardian, on file at the site as required by California Education Code Section 46300 (g).

#### **Recommendation**

In order to claim the apportionment attendance credit for a kindergarten student who has been retained beyond his or her one year anniversary date must have a "Permission to Retain" form on file. California Education Code Section 46300 (g) states, "In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than an additional year." **The attendance for these students who were retained in kindergarten without having the required retention form on file was 3.44 ADA. The attendance reports which have been filed must be revised and resubmitted to the appropriate agencies.**

**FRESNO UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

---

**Current Status**

Implemented.