

**FREMONT UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2012**

FREMONT UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2012
Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Governmental Funds Financial Statements:	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the Statement of Activities.....	16
Proprietary Fund Financial Statements:	
Statement of Net Assets.....	17
Statement of Revenues, Expenditures, and Changes in Net Assets.....	18
Statement of Cash Flows.....	19
Fiduciary Fund Financial Statements:	
Statement of Net Assets.....	20
Notes to Financial Statements.....	21

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	45
Budgetary Comparison Schedule - Special Education Pass-Through Fund.....	46
Schedule of Funding Progress.....	47
Notes to the Required Supplementary Information.....	48

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure.....	49
Combining Statements - Non-Major Governmental Funds:	
Combining Balance Sheet.....	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	51
Combining Statements - General Fund:	
Combining Balance Sheet.....	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	53
Schedule of Average Daily Attendance.....	54
Schedule of Instructional Time.....	55
Schedule of Financial Trends and Analysis.....	56
Schedule of Expenditures of Federal Awards.....	57

FREMONT UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2012
Table of Contents

SUPPLEMENTARY INFORMATION (continued)

Page

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	58
Schedule of Charter Schools	59
Note to the Supplementary Information.....	60

OTHER INDEPENDENT AUDITORS' REPORTS

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 <i>Government Auditing Standards</i>	61
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	63
Independent Auditors' Report on State Compliance	65

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:	
Summary of Auditors' Results	67
Current Year Audit Findings and Questioned Costs	68
Summary Schedule of Prior Audit Findings	71
Management Letter	74

Financial Section

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fremont Unified School District
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fremont Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

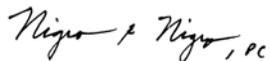
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. 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, each major fund, and the aggregate remaining fund information of Fremont Unified School District as of June 30, 2012 and the respective changes in financial position 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 December 10, 2012 on our consideration of Fremont Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison information and schedule of funding progress on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Unified School District's financial statements as a whole. The other 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



December 10, 2012

FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2012

This discussion and analysis of Fremont Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations, including reductions imposed by the State. Net assets of governmental activities decreased by \$1.9 million, or 0.9%.
- Governmental expenses were about \$300.1 million. Revenues were about \$298.2 million.
- The District spent over \$4.5 million in new capital assets during the year. These expenditures were incurred primarily from capital project funds.
- The District decreased its outstanding long-term debt by \$3.1 million. This was primarily due to the general obligation bond payments and refunding.
- Grades K-12 average daily attendance (ADA) increased by 225, or 0.7%.

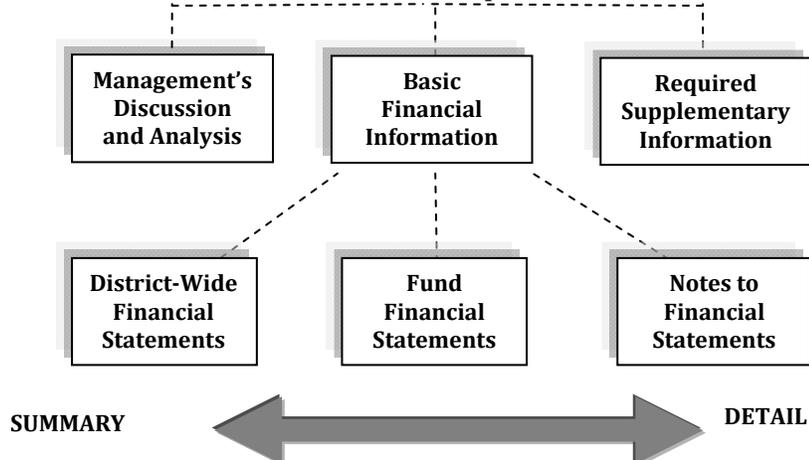
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1. Organization of Fremont Unified School District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the district that operate like a business, such as self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, & Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

FREMONT UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time increases and decreases in the District's net assets serve as an indicator of its financial position.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has three kinds of funds:

- 1) *Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

Fund Financial Statements (continued)

- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for property and liability claims.
- 3) **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were lower on June 30, 2012, than they were the year before – decreasing 0.9% to \$210.3 million. (See Table A-1.)

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2012	2011*	
Current assets	\$ 109.2	\$ 116.6	\$ (7.4)
Non-current and capital assets	332.9	335.2	(2.3)
Total assets	442.1	451.8	(9.7)
Current liabilities	24.3	29.1	(4.8)
Long-term liabilities	207.5	210.5	(3.0)
Total liabilities	231.8	239.6	(7.8)
Net assets			
Invested in capital assets, net of related debt	135.7	133.2	2.5
Restricted	51.3	44.4	6.9
Unrestricted	23.3	34.6	(11.3)
Total net assets	\$ 210.3	\$ 212.2	\$ (1.9)

*As restated

FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net assets, governmental activities. The District's total revenues increased 0.3% to \$298.2 million (See Table A-2). The increase is due primarily to an increase in revenue limit funding due to an increase in average daily attendance.

The total cost of all programs and services increased 3.8% to \$300.1 million. The District's expenses are predominantly related to educating and caring for students, 78.1%. The purely administrative activities of the District accounted for just 3.9% of total costs.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2012	2011	
Total Revenues	\$ 298.2	\$ 297.3	\$ 0.9
Total Expenses	300.1	289.2	10.9
Increase (decrease) in net assets	<u>\$ (1.9)</u>	<u>\$ 8.1</u>	<u>\$ (10.0)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$89.1 million, which is below last year's ending fund balance of \$90.5 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues
 - Reduced the District's Revenue Limit by \$54 per ADA due to the State's revenue projection shortfall and impact of Senate Bill 81
 - Increase in Revenue Limit Funding due to increase in ADA
 - Carryover of unspent categorical funds from prior year
 - Other revenue categories were also adjusted as grants become available from the Federal, State and Local agencies

- Expenditures
 - Additional staffing due to increase enrollment and due to available one-time Ed Jobs funds
 - Budgeted expenditures were adjusted in accordance to the increase in categorical program revenues
 - Additionally, budget for unspent categorical programs (entitlements) with fund balance from the prior year were increased
 - Other expenditure categories were adjusted to cover any unexpected changes during the year.

While the District's final budget for the General Fund anticipated expenditures would exceed revenues by about \$11.1 million, the actual results for the year show that expenditures exceeded revenues by roughly \$3.3 million. Actual revenues were \$3.4 million less than anticipated, but expenditures were \$10.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2012 that will be carried over into the 2012-13 budget.

FREMONT UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-12 the District had invested \$4.5 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$10.8 million.

Table A-3: Capital Assets at Year-End, net of depreciation

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2012	2011*	(Decrease)
Land	\$ 9.5	\$ 9.5	\$ 0.0
Improvement of sites	22.2	23.1	(0.9)
Buildings	283.5	289.6	(6.1)
Equipment	1.6	1.8	(0.2)
Construction in progress	12.1	11.2	0.9
Total	<u>\$ 328.9</u>	<u>\$ 335.2</u>	<u>\$ (6.3)</u>

*As restated

Long-Term Debt

At year-end the District had \$207.5 million in general obligation bonds, capital leases, and postemployment benefits – a decrease of 1.5% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2012	2011*	(Decrease)
General obligation bonds	\$ 197.2	\$ 201.3	\$ (4.1)
Compensated absences	1.5	2.2	(0.7)
Capital leases	0.4	0.6	(0.2)
Other postemployment benefits	8.4	6.5	1.9
Total	<u>\$ 207.5</u>	<u>\$ 210.6</u>	<u>\$ (3.1)</u>

*As restated

FREMONT UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2012

ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2012-13 BUDGET

The State budget has been consistently and increasingly volatile for the past years. During the District's budget development process, the following budget assumptions were applied to the District's Budget based on the most current information available at that time. However, revenue and expenditure assumptions have changed since then. The following assumptions were applied to the District's 2012-13 Budget at the time of the June 2012 budget adoption.

The following assumptions were used in projecting revenues:

- Enrollment is projected at 32,588, which represents an increase of 3 students from 2011-12.
- Average Daily Attendance (ADA) is projected at 31,594, which represents a 96.95% attendance rate.
- State law allows declining enrollment districts to use either current year or prior year ADA to calculate revenue limit, whichever is higher. Fremont USD is not projecting a decline in enrollment. Revenue Limit is calculated using the following:
 - Projection for 2012-13 ADA of 31,594,
 - Cost of Living Adjustment (COLA) of 3.24% reduced by a deficit factor of 22.272%, and
 - Funded Base Revenue Limit per ADA is projected at \$4,790.34 assuming the Governor's tax initiative (Proposition 30) not passing in November 2012 (which did pass and the District is adjusting its budget for the First Interim report).
- Federal Categorical Program revenues are projected without COLA. The net decrease from 2011-12 is due to the elimination of carryover of unspent federal funds.
- The majority of the State Categorical Program revenues are also projected without COLA. In addition, the flexibility provision of using Tier III funds for any educational purpose ends in 2014-15 by Senate Bill 70.
- Special Education revenues are based on the funding model developed by the State in accordance to Assembly Bill 602. Revenues are allocated by Mission Valley Special Education Local Plan Area Administrative Unit based on ADA and enrollment count of special needs students
- Funding for Class Size Reduction for Grades K-3 has been modified in 2008-09, which allowed class size higher than 20 students to receive reduced funding. K-3 Class Size Reduction revenue is budgeted at \$1,071 per student less 30% penalty due to student to teacher ratio of 30:1.
- Mandated Cost Program revenues are not budgeted until the actual reimbursements are received.
- Lottery revenues are projected as follows:
 - Unrestricted at \$118.00 per prior year annual ADA
 - Proposition 20 (restricted) at \$23.75 per prior year annual ADA
- The net decrease in Other State Revenues is due mainly to the elimination of carryover of unspent funds.
- Leases and rentals are projected conservatively.
- Interest revenue is projected at 0.25%, as recommended by Alameda County Office of Education (ACOE).
- The District's miscellaneous donations will be budgeted upon the receipts of funds.
- Proceeds from parcel tax (\$53 per parcel) approved by the voters on November 2010 are budgeted at \$2.9M. This is the second year of the 5-year parcel tax.
- Carryover of any unspent funds from prior year for Federal, State and Local Programs will be budgeted after the close of the books for 2011-12.

FREMONT UNIFIED SCHOOL DISTRICT*Statement of Net Assets**June 30, 2012*

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 44,802,120
Investments	1,357,203
Accounts receivable	62,552,938
Prepaid expenses	88,340
Inventories	367,016
Total current assets	<u>109,167,617</u>
Non-current assets:	
Unamortized debt issuance costs	1,713,180
Deferred charges on refunding	2,307,172
Total non-current assets	<u>4,020,352</u>
Capital assets:	
Non-depreciable capital assets	21,594,419
Depreciable capital assets	467,823,779
Less accumulated depreciation	<u>(160,553,666)</u>
Total capital assets, net of depreciation	<u>328,864,532</u>
Total assets	<u>442,052,501</u>
LIABILITIES	
Current liabilities:	
Accounts payable	24,173,044
Deferred revenue	102,707
Total current liabilities	<u>24,275,751</u>
Long-term liabilities:	
Due or payable within one year	8,132,763
Due or payable after one year	199,378,627
Total long-term liabilities	<u>207,511,390</u>
Total liabilities	<u>231,787,141</u>
NET ASSETS	
Invested in capital assets, net of related debt	135,682,739
Restricted for:	
Capital projects	33,517,672
Debt service	10,923,606
Categorical programs	6,834,978
Unrestricted	<u>23,306,365</u>
Total net assets	<u>\$ 210,265,360</u>

FREMONT UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instructional Services:					
Instruction	\$ 182,345,784	\$ 310,299	\$ 34,709,483	\$ 630,889	\$ (146,695,113)
Instruction-Related Services:					
Supervision of instruction	10,224,216	18,868	6,586,201	-	(3,619,147)
Instructional library, media and technology	3,317,888	295	18,396	-	(3,299,197)
School site administration	19,074,448	3,333	331,729	-	(18,739,386)
Pupil Support Services:					
Home-to-school transportation	5,782,869	243,107	2,612,964	-	(2,926,798)
Food services	6,204,402	2,879,422	3,212,323	-	(112,657)
All other pupil services	7,504,232	20,222	1,318,531	-	(6,165,479)
General Administration Services:					
Data processing services	2,278,764	-	-	-	(2,278,764)
Other general administration	9,309,996	144,769	1,551,056	-	(7,614,171)
Plant services	25,902,169	14,707	37,217	-	(25,850,245)
Ancillary services	1,214,125	648	318,390	-	(895,087)
Community services	512,395	277	3,280	-	(508,838)
Enterprise activities	(35)	-	-	-	35
Transfers between agencies	18,329,807	-	-	-	(18,329,807)
Interest on long-term debt	7,248,888	-	-	-	(7,248,888)
Other outgo	849,020	435,897	14,713,501	-	14,300,378
Total Governmental Activities	\$ 300,098,968	\$ 4,071,844	\$ 65,413,071	\$ 630,889	(229,983,164)
General Revenues:					
Property taxes					95,852,553
Federal and state aid not restricted to specific purpose					125,098,861
Interest and investment earnings					268,172
Interagency revenues					223,856
Miscellaneous					6,629,784
Total general revenues					228,073,226
Change in net assets					(1,909,938)
Net assets - July 1, 2011, as originally stated					209,312,320
Adjustment for restatement					2,862,978
Net assets - July 1, 2011, restated					212,175,298
Net assets - June 30, 2012					\$ 210,265,360

FREMONT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2012

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 9,281,584	\$ -	\$ 13,201,673	\$ 22,264,975	\$ 44,748,232
Investments	1,357,203	-	-	-	1,357,203
Accounts receivable	56,928,653	4,571,640	58,574	994,004	62,552,871
Due from other funds	1,105,810	521,715	11,000,000	1,098,347	13,725,872
Inventories	235,731	-	-	131,285	367,016
Prepaid expenditures	82,961	-	-	5,379	88,340
Total Assets	<u>\$ 68,991,942</u>	<u>\$ 5,093,355</u>	<u>\$ 24,260,247</u>	<u>\$ 24,493,990</u>	<u>\$ 122,839,534</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,456,566	\$ 4,577,910	\$ 68,949	\$ 675,246	\$ 19,778,671
Due to other funds	12,361,128	515,445	-	1,015,599	13,892,172
Deferred revenue	102,707	-	-	-	102,707
Total Liabilities	<u>26,920,401</u>	<u>5,093,355</u>	<u>68,949</u>	<u>1,690,845</u>	<u>33,773,550</u>
Fund Balances					
Nonspendable	418,691	-	-	136,666	555,357
Restricted	5,858,714	-	24,191,298	21,561,707	51,611,719
Assigned	9,963,134	-	-	1,104,772	11,067,906
Unassigned	25,831,002	-	-	-	25,831,002
Total Fund Balances	<u>42,071,541</u>	<u>-</u>	<u>24,191,298</u>	<u>22,803,145</u>	<u>89,065,984</u>
Total Liabilities and Fund Balances	<u>\$ 68,991,942</u>	<u>\$ 5,093,355</u>	<u>\$ 24,260,247</u>	<u>\$ 24,493,990</u>	<u>\$ 122,839,534</u>

FREMONT UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2012

Total fund balances - governmental funds \$ 89,065,984

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$489,418,198, and the accumulated depreciation is \$(160,553,666). 328,864,532

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB obligation at the end of the period was: (8,398,971)

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (4,183,629)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as an asset. The remaining deferred charges on refunding at the end of the period was: 2,307,172

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included on the statement of net assets are: 1,713,180

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	197,219,569	
Compensated absences payable	1,452,042	
Capital leases payable	<u>440,808</u>	(199,112,419)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

9,511

Total net assets - governmental activities \$ 210,265,360

FREMONT UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2012

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 167,591,075	\$ -	\$ -	\$ 1,384,476	\$ 168,975,551
Federal sources	18,260,531	4,200,218	-	3,025,892	25,486,641
Other state sources	57,485,604	9,597,554	-	2,104,834	69,187,992
Other local sources	12,157,868	-	1,182,877	21,198,100	34,538,845
Total Revenues	255,495,078	13,797,772	1,182,877	27,713,302	298,189,029
EXPENDITURES					
Instructional Services:					
Instruction	171,985,915	-	-	2,041,976	174,027,891
Instruction-Related Services:					
Supervision of instruction	9,315,636	-	-	483,398	9,799,034
Instructional library, media and technology	3,102,849	-	-	48,622	3,151,471
School site administration	17,993,257	-	-	170,128	18,163,385
Pupil Support Services:					
Home-to-school transportation	5,697,165	-	-	-	5,697,165
Food services	31,559	-	-	5,875,943	5,907,502
All other pupil services	7,125,993	-	-	19,320	7,145,313
Ancillary services	1,155,755	-	-	404	1,156,159
Community services	486,436	-	-	-	486,436
General Administration Services:					
Data processing services	2,202,181	-	-	2,337	2,204,518
Other general administration	9,114,885	-	-	490,792	9,605,677
Plant services	24,662,844	-	14,427	106,745	24,784,016
Facility acquisition and construction	1,091,977	-	1,990,809	941,008	4,023,794
Other outgo:					
Transfers between agencies	4,529,456	13,797,772	-	2,579	18,329,807
Debt service - issuance costs	-	-	-	336,030	336,030
Debt service - principal	199,706	-	-	3,858,433	4,058,139
Debt service - interest	43,342	-	-	11,076,778	11,120,120
Total Expenditures	258,738,956	13,797,772	2,005,236	25,454,493	299,996,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,243,878)	-	(822,359)	2,258,809	(1,807,428)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	822,915	-	-	425,234	1,248,149
Interfund transfers out	-	-	(618,626)	(629,523)	(1,248,149)
Proceeds from long-term debt	46,277	-	-	61,210,000	61,256,277
Premium on long-term debt	-	-	-	11,802,019	11,802,019
Transfer to escrow agent for defeased debt	-	-	-	(72,675,989)	(72,675,989)
Total Other Financing Sources and Uses	869,192	-	(618,626)	131,741	382,307
Net Change in Fund Balances	(2,374,686)	-	(1,440,985)	2,390,550	(1,425,121)
Fund Balances, July 1, 2011, as originally stated	39,394,365	-	25,632,283	25,464,457	90,491,105
Adjustments for Restatement	5,051,862	-	-	(5,051,862)	-
Fund Balances, July 1, 2011, as restated	44,446,227	-	25,632,283	20,412,595	90,491,105
Fund Balances, June 30, 2012	\$ 42,071,541	\$ -	\$ 24,191,298	\$ 22,803,145	\$ 89,065,984

FREMONT UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Total net change in fund balances - governmental funds \$ (1,425,121)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	4,476,455	
Expenditures for capital outlay	4,476,455	
Depreciation expense	<u>(10,818,971)</u>	
Net:		(6,342,516)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Expenditures for repayment of the principal portion of long-term liabilities were: 74,273,139

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (1,895,728)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized in the current period is: 215,300

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (73,058,296)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 260,857

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest paid exceeded accreted interest earned by: 1,708,109

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the refunded debt. Amortization of the premium for the period is: 1,328,918

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: 2,307,172

In the statement of activities, compensated absences 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). This year, vacation leave paid exceeded the amounts earned by: 718,192

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service fund was: 36

Change in net assets of governmental activities \$ (1,909,938)

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Net Assets – Proprietary Fund
June 30, 2012

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 53,888
Due from other funds	166,300
Accounts receivables	<u>67</u>
Total Assets	<u>220,255</u>
LIABILITIES	
Accounts payable	23,225
Claims liabilities	<u>187,519</u>
Total liabilities	<u>210,744</u>
NET ASSETS	
Unrestricted	<u>9,511</u>
Total net assets	<u><u>\$ 9,511</u></u>

FREMONT UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund
For the Fiscal Year Ended June 30, 2012*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 166,300
Total operating revenues	<u>166,300</u>
OPERATING EXPENSES	
Services and other operating expenditures	<u>166,633</u>
Total operating expenses	<u>166,633</u>
Operating Income (Loss)	(333)
NON-OPERATING REVENUES	
Interest income	<u>369</u>
Change in net assets	36
Net assets, July 1, 2011	<u>9,475</u>
Net assets, June 30, 2012	<u><u>\$ 9,511</u></u>

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 67,571
Cash payments for payroll, insurance and operating costs	<u>(101,707)</u>
Net cash used by operating activities	<u>(34,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>369</u>
Net cash provided by investing activities	<u>369</u>
Net decrease in cash	(33,767)
Cash, July 1, 2011	<u>87,655</u>
Cash, June 30, 2012	<u><u>\$ 53,888</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	\$ (333)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivables and amounts due from other funds	(98,729)
Increase in accounts payable and current liabilities	<u>64,926</u>
Net cash used by operating activities	<u><u>\$ (34,136)</u></u>

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Net Assets - Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u> <u>Student Body Funds</u>
Assets	
Cash	\$ 1,529,020
Total Assets	<u>\$ 1,529,020</u>
Liabilities	
Due to student groups	\$ 1,529,020
Total Liabilities	<u>\$ 1,529,020</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. 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, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. Component units may also 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. The District has no component units.

C. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund and proprietary financial statements are prepared.

Governmental fund and proprietary financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented in the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flows needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for the internal service fund include the costs of claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period would be recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Fund Accounting

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

Governmental Fund Type Definitions

Governmental fund types include the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds.

General Fund: This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. The restricted or committed proceeds of specific revenue sources are expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specific purpose of the fund.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Capital Projects Funds: These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds: These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term debt.

Permanent Funds: These funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains an Adult Education Fund and a Deferred Maintenance Fund. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Adult Education Fund and the Deferred Maintenance Fund do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Planning Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

Charter Schools Fund: This fund is used to account for the operations of the Circle of Independent Learning Charter School.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Child Development Fund: This fund is used to account for revenues received and expenditures made to the child development program subcontracted by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds:

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

State School Building Lease-Purchase Fund: This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings.

County Schools Facilities Fund: This fund is used to account for state apportionments provided under the SB50 School Facilities Program for construction and modernization of school facilities.

Debt Service Funds:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

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 fund:

Self-Insurance Fund: This fund 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 a property and liability program that is accounted for in a self-insurance service fund.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. This fund is used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the required supplementary information section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. 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. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2012, the inventory for supplies was \$235,731. The inventory for food was \$131,285.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more for federal funds and \$20,000 for all other assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

7. Fund Balance Classifications

Fund balance reporting for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie these fund balance classifications and therefore would not report amounts in all possible fund balance classifications.

Nonspendable: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, revolving cash, inventories, and prepaid amounts.

Restricted: Fund balances should be reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned: Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Under the District’s policy, only the governing board, the superintendent, or the chief business official may assign amounts for a specific purpose.

Unassigned: Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification also includes the Reserve for Economic Uncertainties (REU).

8. 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 improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Self-Insurance Internal Service Fund

The District is self-insured for property damage and for general liability up to \$100,000 per claim. The General Fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The District also participates in a joint powers authority, which provides excess worker's compensation coverage for the District. On the government-wide financial statements, the Internal Service Fund activity is eliminated to avoid doubling of revenues and expenditures

L. New GASB Pronouncements

During the 2011-12 fiscal year, the following GASB Pronouncements became effective:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*: The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in the multiple-employer other postemployment benefit (OPEB) plans. This Statement is not expected to affect the District.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*: The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is not expected to affect the District.

FREMONT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 2 – CASH AND INVESTMENTS

Cash at June 30, 2012 is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Internal Service Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 44,349,929	\$ 53,888	\$ 44,403,817	\$ -
Cash with fiscal agent	1,027	-	1,027	-
Total Pooled Funds	44,350,956	53,888	44,404,844	-
Deposits:				
Cash on hand and in banks	297,276	-	297,276	1,529,020
Cash in revolving fund	100,000	-	100,000	-
Total Deposits	397,276	-	397,276	1,529,020
Total Cash	\$ 44,748,232	\$ 53,888	\$ 44,802,120	\$ 1,529,020
Investments:				
Local Agency Investment Fund	\$ 1,357,203	\$ -	\$ 1,357,203	

Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2012, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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).

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

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, 2012, \$2,395,599 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

Interest rate risk is the risk that changes in the 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 Local Agency Investment Fund (LAIF) which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of California and has a maturity of less than one year.

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2012, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had an investment in the Local Agency Investment Fund which represents all of the District's net investments.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:						
Categorical aid programs	\$ 3,305,024	\$ 1,369,906	\$ -	\$ 461,048	\$ 5,135,978	\$ -
State Government:						
Revenue limit	34,300,211	-	-	-	34,300,211	-
Class size reduction	2,508,978	-	-	-	2,508,978	-
Lottery	2,714,939	-	-	-	2,714,939	-
Special education	6,833,727	3,201,734	-	-	10,035,461	-
Categorical aid programs	6,053,452	-	-	461,141	6,514,593	-
Local:						
Interest	771,944	-	952	25,498	798,394	67
Miscellaneous	440,378	-	57,622	46,317	544,317	-
Total	\$ 56,928,653	\$ 4,571,640	\$ 58,574	\$ 994,004	\$ 62,552,871	\$ 67

NOTE 4 – INTERFUND TRANSACTIONS

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

A. Due From/Due To Other Funds

Amounts due from other funds as of June 30, 2012 were as follows:

	Due From Other Funds				Total Governmental Funds	Fiduciary Funds	Total
	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds			
General Fund	\$ -	\$ 521,715	\$ 11,000,000	\$ 673,113	\$ 12,194,828	\$ 166,300	\$ 12,361,128
Special Education Pass-Through Fund	515,445	-	-	-	515,445	-	515,445
Non-Major Governmental Funds	590,365	-	-	425,234	1,015,599	-	1,015,599
Total	\$ 1,105,810	\$ 521,715	\$ 11,000,000	\$ 1,098,347	\$ 13,725,872	\$ 166,300	\$ 13,892,172

General Fund due to Charter School Fund for in-lieu property taxes	\$ 547,434
General Fund due to Charter School Fund for categorical funding	25,970
General Fund due to Special Education Pass-Through Fund for SELPA member allocation	521,715
General Fund due to Child Development Fund for Cal-Safe program	99,709
General Fund due to Special Reserve Fund for Capital Outlay Projects for temporary cash borrowing	11,000,000
General Fund due to Self-Insurance Fund for insurance contribution	166,300
Charter School Fund due to General Fund for indirect costs	42,516
Charter School Fund due to General Fund for audit fee	1,600
Special Education Pass-Through Fund due to General Fund for SELPA member allocation	515,445
Child Development Fund due to General Fund for indirect costs	47,135
Cafeteria Fund due to General Fund for indirect costs	240,867
Capital Facilities Fund due to General Fund for 3% administrative fee	53,958
County Schools Facilities Fund due to General Fund for reimbursement of OPSC expenditures	204,289
County Schools Facilities Fund due to Capital Facilities Fund for reimbursement of OPSC expenditures	425,234
Total	\$ 13,892,172

FREMONT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 4 - INTERFUND TRANSACTIONS (continued)

A. Due From/Due To Other Funds (continued)

As of June 30, 2012, the District's Adult Education Fund owed the General Fund \$119,111 for indirect costs and the General Fund had \$123,429 due to the Adult Education Fund for a portion of State apportionment. As described in Note 1.E. and in accordance with GASB Statement No. 54, the Adult Education Fund is reported within the General Fund in these financial statements, therefore, all interfund activity has been removed from the fund financial statements.

B. Interfund Transfers

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

Interfund transfers for the 2011-12 fiscal year were as follows:

	Interfund Transfers In		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
Special Reserve Fund for Capital Outlay Projects	\$ 618,626	\$ -	\$ 618,626
Non-Major Governmental Funds	204,289	425,234	629,523
Total	\$ 822,915	\$ 425,234	\$ 1,248,149
County Schools Facilities Fund transfer to General Fund for reimbursement of OPSC expenditures			\$ 204,289
County Schools Facilities Fund transfer to Capital Facilities Fund for reimbursement of OPSC expenditures			425,234
Special Reserve Fund for Capital Outlay Projects transfer to General Fund for rental revenue from Marshall site			618,626
Total			\$ 1,248,149

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 5 – FUND BALANCES

Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No.54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

At June 30, 2012, fund balances of the District’s governmental funds are classified as follows:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 100,000	\$ -	\$ -	\$ 100,000
Stores inventories	235,731	-	131,285	367,016
Prepaid expenditures	82,960	-	5,381	88,341
Total Nonspendable	<u>418,691</u>	<u>-</u>	<u>136,666</u>	<u>555,357</u>
Restricted:				
Categorical programs	5,858,714	-	976,265	6,834,979
Capital projects	-	24,191,298	9,661,836	33,853,134
Debt service	-	-	10,923,606	10,923,606
Total Restricted	<u>5,858,714</u>	<u>24,191,298</u>	<u>21,561,707</u>	<u>51,611,719</u>
Assigned:				
Medi-Cal administrative activities (MAA)	1,306,000	-	-	1,306,000
Mandated Costs	954,811	-	-	954,811
Tier III programs	1,759,665	-	-	1,759,665
Charter school program	-	-	1,049,381	1,049,381
Adult education program	2,901,878	-	-	2,901,878
Child development program	-	-	55,391	55,391
Deferred maintenance program	3,040,780	-	-	3,040,780
Total Assigned	<u>9,963,134</u>	<u>-</u>	<u>1,104,772</u>	<u>11,067,906</u>
Unassigned:				
Reserve for economic uncertainties	5,094,822	-	-	5,094,822
Remaining unassigned balances	20,736,180	-	-	20,736,180
Total Unassigned	<u>25,831,002</u>	<u>-</u>	<u>-</u>	<u>25,831,002</u>
Total	<u>\$ 42,071,541</u>	<u>\$ 24,191,298</u>	<u>\$ 22,803,145</u>	<u>\$ 89,065,984</u>

FREMONT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012 is shown below:

	Original Balance, July 1, 2011	Adjustments for Restatements	Restated Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012
Capital assets not being depreciated:						
Land	\$ 9,494,607	\$ -	\$ 9,494,607	\$ -	\$ -	\$ 9,494,607
Construction in progress	13,227,504	(1,999,919)	11,227,585	1,700,928	828,701	12,099,812
Total capital assets not being depreciated	<u>22,722,111</u>	<u>(1,999,919)</u>	<u>20,722,192</u>	<u>1,700,928</u>	<u>828,701</u>	<u>21,594,419</u>
Capital assets being depreciated:						
Improvement of sites	43,891,478	-	43,891,478	517,126	-	44,408,604
Buildings	408,029,861	2,059,083	410,088,944	2,522,331	-	412,611,275
Machinery and equipment	10,377,706	-	10,377,706	564,771	138,577	10,803,900
Total capital assets being depreciated	<u>462,299,045</u>	<u>2,059,083</u>	<u>464,358,128</u>	<u>3,604,228</u>	<u>138,577</u>	<u>467,823,779</u>
Accumulated depreciation for:						
Improvement of sites	(20,797,169)	-	(20,797,169)	(1,456,684)	-	(22,253,853)
Buildings	(120,484,774)	-	(120,484,774)	(8,657,398)	-	(129,142,172)
Equipment	(8,591,329)	-	(8,591,329)	(704,889)	(138,577)	(9,157,641)
Total accumulated depreciation	<u>(149,873,272)</u>	<u>-</u>	<u>(149,873,272)</u>	<u>(10,818,971)</u>	<u>(138,577)</u>	<u>(160,553,666)</u>
Total capital assets being depreciated, net	<u>312,425,773</u>	<u>2,059,083</u>	<u>314,484,856</u>	<u>(7,214,743)</u>	<u>-</u>	<u>307,270,113</u>
Governmental activity capital assets, net	<u>\$ 335,147,884</u>	<u>\$ 59,164</u>	<u>\$ 335,207,048</u>	<u>\$ (5,513,815)</u>	<u>\$ 828,701</u>	<u>\$ 328,864,532</u>

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Activities	
Instruction	\$ 7,208,217
Supervision of instruction	379,457
Instructional library, media, and technology	145,569
School site administration	793,248
Home-to-school transportation	233,292
Food services	249,991
All other pupil services	305,764
Ancillary services	48,473
Community Services	22,467
All other general admin	348,457
Data processing services	65,388
Plant Services	1,018,648
Total depreciation	<u>\$ 10,818,971</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below.

	Original Balance, July 1, 2011	Adjustments for Restatements	Restated Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012	Amount Due Within One Year
General Obligation Bonds:							
Principal payments	\$ 197,519,084	\$ (8,655,045)	\$ 188,864,039	\$ 61,210,000	\$ 74,072,314	\$ 176,001,725	\$ 4,361,340
Accreted interest	-	5,851,231	5,851,231	474,577	2,182,686	4,143,122	2,238,640
Unamortized premium	6,601,621	-	6,601,621	11,802,019	1,328,918	17,074,722	1,328,918
Total - Bonds	204,120,705	(2,803,814)	201,316,891	73,486,596	77,583,918	197,219,569	7,928,898
Capital Leases	595,356	-	595,356	46,277	200,825	440,808	203,865
Other Postemployment Benefits	6,503,243	-	6,503,243	1,895,728	-	8,398,971	-
Compensated Absences	2,170,234	-	2,170,234	-	718,192	1,452,042	-
Totals	\$ 213,389,538	\$ (2,803,814)	\$ 210,585,724	\$ 75,428,601	\$ 78,502,935	\$ 207,511,390	\$ 8,132,763

A. General Obligation Bonds

Election of 1991

In November 1991, an election was held where the registered voters in the District approved by a two-thirds majority the issuance and sale of \$80 million general obligation bonds. The bonds were issued for the purposes of improvement of real property used for education, including classroom construction, reconstruction and repair, student safety and improved library facilities. At June 30, 2012, the only bonds outstanding from this authorization are the 1996 Series F Bonds.

Election of 2002

On March 5, 2002, another election was held where the registered voters in the District approved by a fifty-five percent majority the issuance and sale of \$157.2 million general obligation bonds. The bonds were issued to finance the modernization and repair of schools throughout the District. At June 30, 2012, there are two bond issuances outstanding from this authorization: the Series A and Series B Bonds.

The Bonds are general obligations of the District, and the County is empowered and obligated to levy ad valorem taxes upon all property within the District subject to taxation for the payment of interest on and principal of the Bonds when due.

Prior Years' Refunding Bonds

In prior years the District has issued refunding bonds for the purposes of defeasing previously issued bonds. The previously issued refunding bonds outstanding at June 30, 2012 are the 1998 Refunding Bonds Series A, the 2004 Refunding Bonds, and the 2009 Refunding Bonds. The net proceeds of those bonds were used to purchase U.S. government securities, which were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. As of June 30, 2012, the principal balance outstanding on the previously defeased debt amounted to \$52,765,000.

2012 Refunding General Obligation Bonds

On February 9, 2012, the District issued \$61,210,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 2.7 percent with annual maturities from August 1, 2012 through August 1, 2026. The net proceeds of \$72,675,989 (after premiums of \$11,802,019 and issuance costs of \$336,030) were used to prepay the District's outstanding General Obligation Bonds.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2012 Refunding General Obligation Bonds (continued)

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,307,172 remain to be amortized. As of June 30, 2012, the principal balance outstanding on the defeased debt amounted to \$70,215,000. The refunding decreased the District's total debt service payments by \$18,418,513. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds of \$15,700,033).

A summary of outstanding general obligation bonds issued and outstanding as of June 30, 2012 is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012	
1996F	7/2/1996	8/1/2013	4.2%-6.15%	\$ 32,389,981	\$ 1,934,064	\$ -	\$ 690,407	\$ 1,243,657	
1998Ref.	9/15/1998	8/1/2013	3.4%-4.85%	34,519,976	1,019,975	-	361,907	658,068	
2002A	5/21/2002	8/1/2012	3.0%-5.38%	85,000,000	72,215,000	-	71,215,000	1,000,000	
2004Ref.	10/13/2004	9/1/2019	2.0%-4.0%	2,335,000	2,235,000	-	15,000	2,220,000	
2002B	9/21/2005	8/1/2030	3.625%-5.0%	72,200,000	72,200,000	-	-	72,200,000	
2009Ref.	12/22/2009	8/1/2020	2.0%-5.0%	40,740,000	39,260,000	-	1,790,000	37,470,000	
2012Ref.	2/9/2012	8/1/2026	2.0%-5.0%	61,210,000	-	61,210,000	-	61,210,000	
					<u>\$ 188,864,039</u>	<u>\$ 61,210,000</u>	<u>\$ 74,072,314</u>	<u>\$ 176,001,725</u>	
Accreted Interest:									
					1996F	\$ 3,633,844	\$ 342,045	\$ 1,379,593	\$ 2,596,296
					1998R	2,217,387	132,532	803,093	1,546,826
					<u>\$ 5,851,231</u>	<u>\$ 474,577</u>	<u>\$ 2,182,686</u>	<u>\$ 4,143,122</u>	

The annual requirements to amortize general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2012-2013	\$ 4,361,340	\$ 10,057,747	\$ 14,419,087
2013-2014	4,805,385	10,056,001	14,861,386
2014-2015	4,915,000	7,659,426	12,574,426
2015-2016	5,100,000	7,462,898	12,562,898
2016-2017	5,675,000	7,213,688	12,888,688
2017-2022	40,690,000	30,790,951	71,480,951
2022-2027	49,930,000	20,774,628	70,704,628
2027-2031	60,525,000	6,094,406	66,619,406
Total	<u>\$ 176,001,725</u>	<u>\$ 100,109,745</u>	<u>\$ 276,111,470</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Capital Leases

The District leases certain equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2012-13	\$ 237,048
2013-14	166,088
2014-15	83,303
2015-16	<u>8,910</u>
Total	495,349
Less amount representing interest	<u>(54,541)</u>
Present value of net minimum lease payments	<u>\$ 440,808</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

NOTE 8 – JOINT VENTURES

The Fremont Unified School District participates in joint ventures under joint powers agreements with the Alameda County Schools Insurance Group (ACSIG), Northern California ReLiEF Public Entity Risk Pools, the Mission Valley Regional Occupational Program (MVROP), and the Statewide Educational Wrap Up Program (SEWUP) Joint Powers Authorities (JPAs) for benefits. The District pays the Mission Valley Regional Occupational Program apportionments related to its ROP attendance. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 8 – JOINT VENTURES (continued)

Condensed financial information for the year ended June 30, 2012 is as follows:

	Northern California ReLiEF June 30, 2011 (Audited)	ACSIG June 30, 2011 (Audited)	Mission Valley ROP June 30, 2012 (Unaudited)	State-Wide Educational Wrap-Up Program June 30, 2011 (Audited)
Assets	\$ 60,461,646	\$ 33,967,537	\$ 5,885,576	\$ 20,162,417
Liabilities	34,033,515	48,934,138	165,974	13,486,288
Net Assets	<u>\$ 26,428,131</u>	<u>\$ (14,966,601)</u>	<u>\$ 5,719,602</u>	<u>\$ 6,676,129</u>
Revenues	\$ 36,448,186	\$ 131,005,781	\$ 7,190,599	\$ 8,994,433
Expenses	36,392,464	130,235,318	6,339,718	10,715,886
Operating Income	55,722	770,463	850,881	(1,721,453)
Non-Operating Income	670,802	221,048	16,886	283,641
Change in Net Assets	<u>\$ 726,524</u>	<u>\$ 991,511</u>	<u>\$ 867,767</u>	<u>\$ (1,437,812)</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of approximately \$5.1 million to be paid from a combination of state and local funds.

Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2012.

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 10 - RISK MANAGEMENT (continued)

Workers' Compensation

For fiscal year 2011-12, the District participated in the ACSIG JPA for workers compensation.

Employee Medical Benefits

The District has contracted with California Valued Trust to provide employee health and welfare benefits.

Claims Liability

The District records an estimated liability for property claims against the 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 District 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 July 1, 2010 to June 30, 2012:

	Liability Claims
Liability Balance, July 1, 2010	\$ 169,917
Claims and changes in estimates	106,371
Claims payments	<u>(132,536)</u>
Liability Balance, July 1, 2011	143,752
Claims and changes in estimates	198,104
Claims payments	<u>(154,337)</u>
Liability Balance, June 30, 2012	<u>\$ 187,519</u>
Assets available to pay claims at June 30, 2012	<u>\$ 220,255</u>

NOTE 11 - EMPLOYEE RETIREMENT PLANS

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

Public Employees' Retirement System (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 Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

Public Employees' Retirement System (PERS) (continued)

Funding Policy

Active plan members are required to contribute 7.0% 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 for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 4,613,491	100%
2010-11	\$ 4,479,608	100%
2009-10	\$ 4,065,942	100%

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 11,254,876	100%
2010-11	\$ 10,620,096	100%
2009-10	\$ 11,323,810	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$5.8 million to STRS (4.267% of salaries subject to STRS in 2011-12).

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Fremont Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	517
Active plan members*	2,417
Total	<u>2,934</u>

* As of July 1, 2010 actuarial valuation

The District provides postemployment benefits for health and dental coverage to employees based on the following criteria:

	<u>Certificated</u>	<u>CSEA</u>	<u>Management</u>	<u>SEIU</u>
Duration of benefits	To age 65	To age 65	To age 65	To age 65
Required service	10 years	10 years	10 years	10 years
Minimum age	55	55	55	55
Dependent coverage	No	No	No	No
District contribution %	100%	100%	100%	100%
District cap	Lowest HMO	Lowest HMO	Lowest HMO	Lowest HMO

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2011-12, the District contributed \$3,204,383.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 5,155,951
Interest on net OPEB obligation	260,130
Adjustment to annual required contribution	<u>(315,970)</u>
Annual OPEB cost	5,100,111
Contributions made	<u>(3,204,383)</u>
Increase in net OPEB obligation (asset)	1,895,728
Net OPEB obligation - July 1, 2011	6,503,243
Net OPEB obligation - June 30, 2012	<u>\$ 8,398,971</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2011-12 and the three preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2010	\$ 5,168,289	55%	\$ 4,019,897
2011	\$ 5,631,472	56%	\$ 6,503,243
2012	\$ 5,100,111	63%	\$ 8,398,971

Funded Status and Funding Progress - OPEB Plans

As of July 1, 2010, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$54.8 million and the unfunded actuarial accrued liability (UAAL) was \$54.8 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	27 years
Asset valuation	N/A
Actuarial assumptions:	
Investment rate of return	5%
Healthcare cost trend rate:	
Dental / Vision	6%
Medical / Rx	6% - 11%

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The beginning net assets on the Statement of Activities have been restated by \$2,862,978. Capital assets have been increased by \$59,164 to account for projects that were completed in 2010-11, but not recorded until 2011-12. Additionally, the District's long-term debt has been decreased by \$2,803,814 to reclassify a portion of general obligation bond principal as accreted interest and to reduce the amount outstanding that was overstated as of June 30, 2011.

The beginning fund balances of the General Fund and Non-Major Governmental Funds were restated by \$5,051,862 due to the fund type definitions promulgated by GASB 54.

NOTE 14 – SUBSEQUENT EVENT

On October 24, 2012, the Board of Trustees authorized the issuance of up to \$86,000,000 in refunding bonds to currently refund the Election of 2002 General Obligation Bonds, Series B, the 2004 General Obligation Refunding Bonds, and to pay costs associated with the issuance of the bonds.

NOTE 15 – EFFECT OF STATE OF CALIFORNIA BUDGET CRISIS

The State of California closed 2011-12 as its fourth consecutive year of deficit spending. Most local education agencies (LEAs) in California are dependent upon the State for most of their funding. The State's fiscal crisis has caused the State to defer apportionments to LEAs for the past several years, with more than 32 percent of current year apportionments being deferred into the following fiscal year. These deferrals create cash flow management issues for LEAs, requiring many agencies to resort to interfund borrowing or the issuance of TRANS to meet short-term cash flow needs.

The Governor's proposed tax initiative (Proposition 30) as passed by California voters, temporarily increases the state sales and use tax (SUT) rate for all taxpayers and the personal income tax (PIT) rates for upper-income taxpayers. If Proposition 30 had been rejected by voters in November, additional "trigger cuts" of approximately \$457 per student would have been enacted during the 2012-13 fiscal year. The passage of Proposition 30 does not guarantee that the State will not make future cuts to education. Most LEAs have been required to make substantial budget cuts over the past few years. Additional cuts to State funding will force LEAs to implement even greater budget reductions, jeopardizing the ability of LEAs to provide key programs and services.

Required Supplementary Information

(This page intentionally left blank)

FREMONT UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Revenue Limit Sources	\$ 167,856,787	\$ 167,493,967	\$ 167,591,075	\$ 97,108
Federal	10,252,179	19,090,750	17,837,580	(1,253,170)
Other State	51,966,180	56,379,227	53,572,874	(2,806,353)
Other Local	5,527,641	10,990,113	11,583,800	593,687
Total Revenues	235,602,787	253,954,057	250,585,329	(3,368,728)
Expenditures				
Certificated Salaries	132,872,667	138,588,738	138,378,413	210,325
Classified Salaries	40,241,827	42,419,108	42,800,978	(381,870)
Employee Benefits	32,310,904	33,272,444	33,053,411	219,033
Books and Supplies	9,463,254	17,253,391	9,976,740	7,276,651
Services and Other Operating Expenditures	21,355,770	25,831,460	24,897,088	934,372
Capital Outlay	90,000	1,175,516	1,072,243	103,273
Other Outgo	7,284,526	7,195,508	4,608,425	2,587,083
Total Expenditures	243,618,948	265,736,165	254,787,298	10,948,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,016,161)</u>	<u>(11,782,108)</u>	<u>(4,201,969)</u>	<u>7,580,139</u>
Other Financing Sources and Uses				
Interfund Transfers In	619,655	619,655	822,915	203,260
Proceeds From Long-Term Debt	-	-	46,277	46,277
Total Other Financing Sources and Uses	619,655	619,655	869,192	249,537
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(7,396,506)</u>	<u>(11,162,453)</u>	<u>(3,332,777)</u>	<u>7,829,676</u>
Fund Balances, July 1, 2011	39,394,365	39,394,365	39,394,365	-
Fund Balances, June 30, 2012	<u>\$ 31,997,859</u>	<u>\$ 28,231,912</u>	<u>\$ 36,061,588</u>	<u>\$ 7,829,676</u>

The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education and Deferred Maintenance Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

FREMONT UNIFIED SCHOOL DISTRICT*Budgetary Comparison Schedule – Special Education Pass-Through Fund
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal	\$ 3,372,430	\$ 3,678,503	\$ 4,200,218	\$ 521,715
Other State	8,958,290	9,597,554	9,597,554	-
Total Revenues	<u>12,330,720</u>	<u>13,276,057</u>	<u>13,797,772</u>	<u>521,715</u>
Expenditures				
Other Outgo	<u>12,330,720</u>	<u>13,276,057</u>	<u>13,797,772</u>	<u>(521,715)</u>
Total Expenditures	<u>12,330,720</u>	<u>13,276,057</u>	<u>13,797,772</u>	<u>(521,715)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances, July 1, 2011	-	-	-	-
Fund Balances, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 45,450,000	\$45,450,000	0.0%	\$194,347,000	23.39%
July 1, 2010	\$ -	\$ 54,810,299	\$54,810,299	0.0%	\$177,744,963	30.84%

FREMONT UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No.34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No.45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2012, the District incurred an excess of expenditures over appropriations in the General Fund presented in the Budgetary Comparison Schedules of \$381,870 in the classified salaries appropriation category, and in the Special Education Pass-Through Fund of \$521,715 for other outgo.

Supplementary Information

(This page intentionally left blank)

FREMONT UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2012

Fremont Unified School District was formed on July 1, 1964 and is comprised of an area of approximately 90 square miles located in Alameda County. There were no changes in the boundaries of the District during the current year. The District operates 28 elementary, five middle, and five high schools. The District also maintains a continuation school, an adult education program and a charter school.

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2012 were as follows.

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Lily Mei ¹	President	2012
Ivy Wu ¹	Vice-President	2012
Larry Sweeney	Clerk	2014
Bryan Gebhardt ¹	Member	2012
Lara York	Member	2014

DISTRICT ADMINISTRATORS

James Morris, Ed.D.,
Superintendent

Micaela Ochoa, ²
Assistant Superintendent, Business Services

Robert Lee,
Assistant Superintendent, Human Resources

Deborah Sims, Ed.D.,
Assistant Superintendent, Instruction

¹ In November 2012, Lily Mei was re-elected. Ivy Wu and Bryan Gebhardt have been replaced by Ann Crosbie and Desrie Campbell.

² As of September 4, 2012, Raul Parungao became the Assistant Superintendent, Business Services.

FREMONT UNIFIED SCHOOL DISTRICT

Combining Balance Sheet - Non-Major Governmental Funds

June 30, 2012

	Charter School Special Revenue Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	State School Building Lease Purchase Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS									
Cash	\$ 254,246	\$ 20,373	\$ 738,390	\$ 562,499	\$ 8,935,011	\$ 15,722	\$ 828,052	\$ 10,910,682	\$ 22,264,975
Accounts receivable	361,155	87,678	516,203	738	14,277	19	1,010	12,924	994,004
Due from other funds	573,404	99,709	-	-	425,234	-	-	-	1,098,347
Inventories	-	-	131,285	-	-	-	-	-	131,285
Prepaid expenditures	5,379	-	-	-	-	-	-	-	5,379
Total Assets	\$ 1,194,184	\$ 207,760	\$ 1,385,878	\$ 563,237	\$ 9,374,522	\$ 15,741	\$ 829,062	\$ 10,923,606	\$ 24,493,990
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 34,728	\$ 27,609	\$ 175,665	\$ 227,775	\$ 12,740	\$ -	\$ 196,729	\$ -	\$ 675,246
Due to other funds	44,116	47,135	240,866	-	53,958	-	629,524	-	1,015,599
Total Liabilities	78,844	74,744	416,531	227,775	66,698	-	826,253	-	1,690,845
Fund Balances									
Nonspendable	5,381	-	131,285	-	-	-	-	-	136,666
Restricted	60,578	77,625	838,062	335,462	9,307,824	15,741	2,809	10,923,606	21,561,707
Assigned	1,049,381	55,391	-	-	-	-	-	-	1,104,772
Total Fund Balances	1,115,340	133,016	969,347	335,462	9,307,824	15,741	2,809	10,923,606	22,803,145
Total Liabilities and Fund Balances	\$ 1,194,184	\$ 207,760	\$ 1,385,878	\$ 563,237	\$ 9,374,522	\$ 15,741	\$ 829,062	\$ 10,923,606	\$ 24,493,990

FREMONT UNIFIED SCHOOL DISTRICT

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
June 30, 2012*

	Charter School Special Revenue Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	State School Building Lease Purchase Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES									
Revenue limit sources	\$ 1,384,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,384,476
Federal sources	53,534	-	2,972,358	-	-	-	-	-	3,025,892
Other state sources	160,662	982,662	211,591	-	-	-	629,524	120,395	2,104,834.0
Other local sources	8,686	283,599	3,186,027	3,846	2,775,989	65	1,364	14,938,524	21,198,100
Total Revenues	1,607,358	1,266,261	6,369,976	3,846	2,775,989	65	630,888	15,058,919	27,713,302
EXPENDITURES									
Instructional Services:									
Instruction	1,311,658	730,318	-	-	-	-	-	-	2,041,976
Supervision of instruction	17,405	465,993	-	-	-	-	-	-	483,398
Instructional library, media and technology	48,622	-	-	-	-	-	-	-	48,622
School site administration	170,128	-	-	-	-	-	-	-	170,128
Pupil Support Services:									
Food services	-	-	5,875,943	-	-	-	-	-	5,875,943
All other pupil services	19,320	-	-	-	-	-	-	-	19,320
General Administration Services:									
Data processing	2,337	-	-	-	-	-	-	-	2,337
Other general administration	75,344	47,135	240,867	-	127,446	-	-	-	490,792
Plant services	23,345	4,996	26,976	1,026	50,402	-	-	-	106,745
Facility acquisition and construction	-	-	-	940,942	66	-	-	-	941,008
Ancillary services	404	-	-	-	-	-	-	-	404
Other Outgo - Transfers Between Agencies	2,579	-	-	-	-	-	-	-	2,579
Other outgo:									
Debt service - issuance costs	-	-	-	336,030	-	-	-	-	336,030
Debt service - principal	-	1,119	-	-	-	-	-	3,857,314	3,858,433
Debt service - interest	-	429	-	-	-	-	-	11,076,349	11,076,778
Total Expenditures	1,671,142	1,249,990	6,143,786	1,277,998	177,914	-	-	14,933,663	25,454,493
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,784)	16,271	226,190	(1,274,152)	2,598,075	65	630,888	125,256	2,258,809
OTHER FINANCING SOURCES (USES)									
Interfund transfers in	-	-	-	-	425,234	-	-	-	425,234
Interfund transfers out	-	-	-	-	-	-	(629,523)	-	(629,523)
Proceeds from long term debt	-	-	-	61,210,000	-	-	-	-	61,210,000
Premium on long-term debt	-	-	-	11,802,019	-	-	-	-	11,802,019
Transfer to escrow agent for defeased debt	-	-	-	(72,675,989)	-	-	-	-	(72,675,989)
Total Other Financing Sources and Uses	-	-	-	336,030	425,234	-	(629,523)	-	131,741
Net Change in Fund Balances	(63,784)	16,271	226,190	(938,122)	3,023,309	65	1,365	125,256	2,390,550
Fund Balances, July 1, 2011	1,179,124	116,745	743,157	1,273,584	6,284,515	15,676	1,444	10,798,350	20,412,595
Fund Balances, June 30, 2012	\$ 1,115,340	\$ 133,016	\$ 969,347	\$ 335,462	\$ 9,307,824	\$ 15,741	\$ 2,809	\$ 10,923,606	\$ 22,803,145

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - General Fund
June 30, 2012

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund ¹
ASSETS				
Cash	\$ 3,441,947	\$ 2,796,846	\$ 3,042,791	\$ 9,281,584
Investments	1,357,203	-	-	1,357,203
Accounts receivable	56,710,580	214,333	3,740	56,928,653
Due from other funds	1,224,921	123,429	-	1,348,350
Inventories	235,731	-	-	235,731
Prepaid expenditures	81,988	973	-	82,961
	<u>63,052,370</u>	<u>3,135,581</u>	<u>3,046,531</u>	<u>69,234,482</u>
Total Assets	<u>\$ 63,052,370</u>	<u>\$ 3,135,581</u>	<u>\$ 3,046,531</u>	<u>\$ 69,234,482</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 14,403,518	\$ 47,297	\$ 5,751	\$ 14,456,566
Deferred revenue	102,707	-	-	102,707
Due to other funds	12,484,557	119,111	-	12,603,668
	<u>26,990,782</u>	<u>166,408</u>	<u>5,751</u>	<u>27,162,941</u>
Total Liabilities	<u>26,990,782</u>	<u>166,408</u>	<u>5,751</u>	<u>27,162,941</u>
Fund Balances				
Nonspendable	417,719	972	-	418,691
Restricted	5,792,391	66,323	-	5,858,714
Assigned	4,020,476	2,901,878	3,040,780	9,963,134
Unassigned	25,831,002	-	-	25,831,002
	<u>36,061,588</u>	<u>2,969,173</u>	<u>3,040,780</u>	<u>42,071,541</u>
Total Fund Balances	<u>36,061,588</u>	<u>2,969,173</u>	<u>3,040,780</u>	<u>42,071,541</u>
Total Liabilities and Fund Balances	<u>\$ 63,052,370</u>	<u>\$ 3,135,581</u>	<u>\$ 3,046,531</u>	<u>\$ 69,234,482</u>

¹ The actual amounts reported in this statement do not agree with the amounts reported in the Government Fund Financial Balance Sheet for the General Fund due to the removal of the interfund transactions in accordance with GASB Statement No. 54.

FREMONT UNIFIED SCHOOL DISTRICT*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
General Fund**June 30, 2012*

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund
REVENUES				
Revenue limit sources	\$ 167,591,075	\$ -	\$ -	\$ 167,591,075
Federal sources	17,837,580	422,951	-	18,260,531
Other state sources	53,572,874	2,890,496	1,022,234	57,485,604
Other local sources	11,583,800	562,282	11,786	12,157,868
	<u>250,585,329</u>	<u>3,875,729</u>	<u>1,034,020</u>	<u>255,495,078</u>
Total Revenues				
EXPENDITURES				
Instructional Services:				
Instruction	170,112,269	1,873,646	-	171,985,915
Supervision of instruction	9,287,809	27,827	-	9,315,636
Instructional library, media and technology	2,886,876	215,973	-	3,102,849
School site administration	17,089,302	903,955	-	17,993,257
Pupil Support Services:				
Home-to-school transportation	5,697,165	-	-	5,697,165
Food services	31,559	-	-	31,559
All other pupil services	7,125,993	-	-	7,125,993
General Administration Services:				
Data processing	2,202,181	-	-	2,202,181
Other general administration	8,995,774	119,111	-	9,114,885
Plant services	24,059,088	280,330	323,426	24,662,844
Facility acquisition and construction	884,587	-	207,390	1,091,977
Ancillary services	1,155,755	-	-	1,155,755
Community services	486,436	-	-	486,436
Other Outgo - Transfers Between Agencies	4,529,456	-	-	4,529,456
Other outgo:				
Debt service - principal	199,706	-	-	199,706
Debt service - interest	43,342	-	-	43,342
	<u>254,787,298</u>	<u>3,420,842</u>	<u>530,816</u>	<u>258,738,956</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,201,969)</u>	<u>454,887</u>	<u>503,204</u>	<u>(3,243,878)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	46,277	-	-	46,277
Interfund transfers in	822,915	-	-	822,915
	<u>869,192</u>	<u>-</u>	<u>-</u>	<u>869,192</u>
Total Other Financing Sources and Uses				
Net Change in Fund Balances	(3,332,777)	454,887	503,204	(2,374,686)
Fund Balances, July 1, 2011	<u>39,394,365</u>	<u>2,514,286</u>	<u>2,537,576</u>	<u>44,446,227</u>
Fund Balances, June 30, 2012	<u>\$ 36,061,588</u>	<u>\$ 2,969,173</u>	<u>\$ 3,040,780</u>	<u>\$ 42,071,541</u>

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2012

	Second Period Report (Certificate No. <u>1CB72216</u>)	Annual Report (Certificate No. <u>29FBE417</u>)
Elementary:		
Kindergarten	2,340	2,341
Grades 1 through 3	7,506	7,510
Grades 4 through 6	7,037	7,037
Grades 7 and 8	4,311	4,304
Opportunity school	9	12
Home and hospital	9	10
Special education	731	731
Extended year program	<u>60</u>	<u>60</u>
Total Elementary	<u>22,003</u>	<u>22,005</u>
Secondary:		
Grades 9 through 12, regular classes	8,961	8,920
Continuation education	243	242
Home and hospital	22	25
Special education	369	363
Extended year program	<u>23</u>	<u>23</u>
Total Secondary	<u>9,618</u>	<u>9,573</u>
Charter School:		
Non-classroom based	<u>241</u>	<u>241</u>
Total Charter School	<u>241</u>	<u>241</u>
Total Average Daily Attendance	<u><u>31,862</u></u>	<u><u>31,819</u></u>

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2012

Grade Level	1982-83 Minutes		1986-87 Minutes		2011-12 Actual Minutes	Number of Days Traditional Calendar	Status
	Actual	Reduced*	Previously Required	Reduced*			
Kindergarten	31,500	29,400	36,000	33,600	35,800	179	Complied
Grade 1	42,000	39,200	50,400	47,040	51,015	179	Complied
Grade 2	42,000	39,200	50,400	47,040	51,015	179	Complied
Grade 3	42,000	39,200	50,400	47,040	51,015	179	Complied
Grade 4	52,500	49,000	54,000	50,400	53,646	179	Complied
Grade 5	52,500	49,000	54,000	50,400	53,646	179	Complied
Grade 6	52,500	49,000	54,000	50,400	53,646	179	Complied
Grade 7	56,535	52,766	54,000	50,400	56,588	176	Complied
Grade 8	56,535	52,766	54,000	50,400	56,588	176	Complied
Grade 9	49,000	45,733	64,800	60,480	64,440	179	Complied
Grade 10	49,000	45,733	64,800	60,480	64,440	179	Complied
Grade 11	49,000	45,733	64,800	60,480	64,440	179	Complied
Grade 12	49,000	45,733	64,800	60,480	64,440	179	Complied

* Amounts reduced as permitted by Education Code Sections 46201.2(a) and 46201.3(a).

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2012

General Fund	(Budget) 2013 ³	2012 ⁴	2011	2010
Revenues and other financing sources	\$ 218,921,618	\$ 251,454,521	\$ 264,123,029	\$ 259,456,920
Expenditures	238,701,521	254,787,298	251,377,799	254,481,029
Other uses and transfers out	-	-	4,291,379	5,891,303
Total outgo	238,701,521	254,787,298	255,669,178	260,372,332
Change in fund balance (deficit)	(19,779,903)	(3,332,777)	8,453,851	(915,412)
Ending fund balance	\$ 16,281,685	\$ 36,061,588	\$ 39,394,365	\$ 30,940,514
Available reserves ¹	\$ 6,051,099	\$ 25,831,002	\$ 21,726,465	\$ 21,795,552
Available reserves as a percentage of total outgo	2.5%	10.1%	8.5%	8.4%
Total long-term debt	\$ 199,672,556	\$ 207,511,390	\$ 210,585,724	\$ 215,844,856
Average daily attendance at P-2 ²	31,594	31,621	31,396	31,088

The General Fund balance has increased by approximately \$5.1 million over the past two years. The fiscal year 2012-13 adopted budget projects a decrease of approximately \$19.8 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2012-13 fiscal year. Long-term debt has decreased by over \$8.3 million over the past two years.

Average daily attendance has increased by 533 over the past two years. A slight decline in ADA is anticipated during fiscal year 2012-13.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Excludes Adult Education and Charter School ADA.

³ Revised Budget September, 2012

⁴ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education and Deferred Maintenance Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program - Basic	10.553	13525	\$ 3,684	
School Breakfast Program - Especially Needy	10.553	13526	319,984	
National School Lunch Program	10.555	13523	2,321,404	
USDA Donated Foods	10.555	N/A	327,286	
Subtotal Child Nutrition Cluster				\$ 2,972,358
Total U.S. Department of Agriculture				2,972,358
U.S. Department of Education:				
Indian Education				
	84.060	1011		41,785
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster				
Adult Basic Education & ESL	84.002A	14508	211,624	
State Leadership Projects	84.002	13970	10,190	
Adult Secondary Education	84.002	13978	35,765	
English Literacy & Civics Education Local Grant	84.002A	14109	165,372	
Subtotal Adult Basic Education Cluster				422,951
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		3,081,560
Title I, Part C Cluster				
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	54,154	
Title I, Migrant Ed, Summer Program	84.011	10005	16,415	
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	30,000	
Subtotal Title I, Part C Cluster				100,569
Education of Homeless Children and Youth Cluster				
Education of Homeless Children and Youth	84.196	14332	38,089	
ARRA Education of Homeless Children and Youth, Recovery Act	84.387	15007	10,088	
Subtotal Education of Homeless Children and Youth Cluster				48,177
Title II, Part A, Teacher Quality Local	84.367	14341		722,751
Title II, Part D, Enhancing Education Through Technology	84.318	14334		540
Title III, Limited English Proficiency	84.365	14346		469,183
Title IV, Part A, Safe & Drug Free Schools and Communities	84.186	14347		13,305
ARRA, State Fiscal Stabilization Fund	84.394	25008		158,917
Education Jobs Fund	84.410	25152		6,096,488
Carl Perkins Act - Secondary	84.048	14894		123,814
Smaller Learning Communities	84.215L	14362		85,709
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Local Assistance Entitlement	84.027	13379	7,718,532	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	672,924	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	99,726	
ARRA, Local Assistance Entitlement	84.391	15003	537,920	
ARRA IDEA Part B, Sec 611, Local Assistance Private School ISPs	84.391	10123	9,922	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.391	13430	295,068	
ARRA IDEA Part B, Sec 619, Preschool Grants	84.392	15000	181,903	
Preschool Local Entitlement, Part B	84.173A	13682	494,779	
Preschool Staff Development	84.173A	13431	3,512	
ARRA IDEA Part B, Preschool Local Entitlement	84.391	15002	261,275	
Subtotal Special Education (IDEA) Cluster				10,275,561
IDEA Early Intervention Grants, Part C	84.181	23761		211,330
Workability II, Transition	84.158	10006		301,279
Total U.S. Department of Education				22,153,919
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	86,298	
Medi-Cal Administrative Activities (MAA)	N/A	10060	174,456	
Subtotal Medicaid Cluster				260,754
Total U.S. Department of Health & Human Services				260,754
Corporation for National and Community Service				
Passed through California Dept. of Education:				
CalServe: Learn & Serve America (LSA) - Initiative Partnership and Regional Network	94.004	14939		14,671
Total Corporation for National and Community Service				14,671
Total Expenditures of Federal Awards				\$ 25,401,702

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2012*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2012

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Circle of Independent Learning Charter School	Included

FREMONT UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

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 reduced by Education Code sections 46201.2(a) and 46201.3(a).

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 Expenditures of Federal Awards

The 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 of America 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.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Program	Federal CFDA Number	Amount Provided to Subrecipients		
		New Haven USD	Newark USD	Total
Local Assistance Entitlement	84.027	\$ 1,955,296	\$ 1,001,388	\$ 2,956,684
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	16,935	22,579	39,514
ARRA, Local Assistance Entitlement	84.027	494,644	27,071	521,715
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.391	84,552	53,640	138,192
Preschool Local Entitlement, Part B	84.173A	141,779	89,946	231,725
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	195,383	116,072	311,455
Preschool Staff Development	8.173A	571	362	933
		<u>\$ 2,889,160</u>	<u>\$ 1,311,058</u>	<u>\$ 4,200,218</u>

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 Charter Schools

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

Other Independent Auditors' Reports

(This page intentionally left blank)

**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
Fremont Unified School District
Fremont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District as of and for the year ended June 30, 2012, which collectively comprise Fremont Unified School District's basic financial statements and have issued our report thereon dated December 10, 2012. 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

Management of Fremont Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fremont Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fremont Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fremont Unified School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as Finding 2012-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

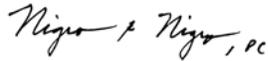
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2012-2 and 2012-3.

We noted certain matters that we reported to management of Fremont Unified School District in a separate letter dated December 10, 2012.

Fremont Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



December 10, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Fremont Unified School District
Fremont, California

Compliance

We have audited Fremont Unified School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Fremont Unified School District's major federal programs for the year ended June 30, 2012. Fremont 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 Fremont Unified School District's management. Our responsibility is to express an opinion on Fremont 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 Fremont 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 Fremont Unified School District's compliance with those requirements.

In our opinion, Fremont Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-2.

Internal Control Over Compliance

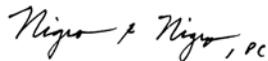
Management of Fremont Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Fremont Unified School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2012-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Fremont Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Fremont Unified School District's response and, accordingly, we express no opinion on the response.

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



December 10, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Fremont Unified School District
 Fremont, California

We have audited Fremont Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, published by the Education Audit Appeals Panel, for the year ended June 30, 2012. The District's State programs are identified in the schedule below. Compliance with the requirements of laws, regulations, contracts, and grants is the responsibility of the District's management. Our responsibility is to express an opinion on Fremont Unified School District's compliance based on our audit.

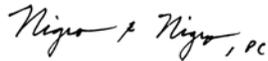
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Fremont 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 the District's compliance with those requirements.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with Only One School Serving K-3	4	Not applicable

Description	Procedures in Audit Guide	Procedures Performed
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	3	Yes
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Nonclassroom-Based Instruction	3	Yes
Annual Instructional Minutes – Classroom Based	4	Not applicable

In our opinion, Fremont Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-3.

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



December 10, 2012

Findings and Questioned Costs

(This page intentionally left blank)

FREMONT UNIFIED SCHOOL DISTRICT
Summary of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) 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(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</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>Yes</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.410</u> <u>Education Jobs Fund</u>	
<u>84.027, 84.391,</u> <u>84.392, 84.173A</u> <u>Special Education Cluster (IDEA)</u>	

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 762,051</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding 2012-1: Uniform Construction Cost Accounting (30000)

Condition & Criteria: The Uniform Public Construction Cost Accounting Act established alternative bidding procedures for participating agencies. During our testing of expenditures we discovered that the District was using the guidelines prescribed by the Uniform Public Construction Cost Accounting Act of 1983. Public Contract Code Section 22030 requires the governing board of local agencies to elect by resolution to become subject to the Act and file a copy with the State Controller’s Office. The District’s governing board has not elected by resolution to be subject to the Act and is therefore not eligible to follow the bidding guidelines in Public Contract Code Sections 22000 through 22045.

Recommendation: We recommend that the District Board pass a resolution and submit documentation to the State Controller’s Office to become eligible under the UCCA bidding guidelines.

District Response: The District will pass a resolution for Uniform Construction Cost Accounting (UCCA) and submit it to the State Controller’s Office for eligibility under the bidding guidelines.

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

Finding 2012-2: Cash Management (50000)

Program Identification: Federal Agency: U.S. Department of Education
Pass-through Entity: California Department of Education
Program Names:
Education Jobs Fund (CFDA No. 84.410)
Special Education Cluster, including ARRA (CFDA Nos. 84.027, 84.391,
84.392 and 84.173A)

Criteria: OMB Circular A-102, *the Common Rule*, states that a non-federal entity may keep up to \$100 of the interest earned on federal awards and is required to return the excess to the federal government on a quarterly basis.

Condition: The District received federal award funds throughout the 2011-12 fiscal year. The interest earned on these awards was not remitted on a quarterly basis.

Questioned Costs: None. The interest was eventually remitted.

Cause: The District did not calculate the interest earned on the federal funds in a timely manner.

Effect: There is no financial impact to the District as a result of this finding.

Recommendation: The District should continue to monitor the interest earned on the federal awards quarterly and remit the amount earned in excess of \$100 in a timely manner.

District Response: The District is continually monitoring and calculating quarterly the interest earned on federal awards once the interest rate is received. The District will then remit in a timely manner to California Department of Education (CDE) the interest earned in excess of \$100.

FREMONT UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs For the Fiscal Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2012-3: Instructional Materials Hearing (70000)

Criteria: California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District.

Condition: The notice that was posted at one of the three sites was not posted before the 10-day advance notice requirement for the public hearing regarding the sufficiency of textbooks and instructional materials.

Cause: The District was unaware of the requirements for the public notice.

Effect: The full amount of the Instructional Materials Funding allowance for 2011-12 of \$1,750,164 is disallowed.

Recommendation: We recommend that the District contact the County Office of Education to seek a waiver from this penalty. We observed that the District had already complied with the 10-day notice requirement for the 2012-13 school year. We recommend the District continue to be diligent in future years to avoid a funding loss.

District Response: The District has taken steps to comply with the 10-day notice requirement for FY 2012-13 as mentioned in the auditors' recommendation. The District will consult with Alameda County Office of Education (ACOE) and apply for a waiver of the penalty resulting from the FY 2011-12 finding.

FREMONT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2011-1:</i> <i>Student Body</i> <i>Accounts</i></p>	<p>The following was noted during current year site visits:</p> <p><i>Brier Elementary</i></p> <ul style="list-style-type: none"> •Purchase orders or request forms were not used. Therefore, checks were issued without the written approval evidence. •Pre-numbered receipts were not used for cash collections. <p><i>Harvey Green Elementary</i></p> <ul style="list-style-type: none"> •Purchase orders or request forms were not used. Therefore, evidence of written approval was missing. •A summary of cash collections or cash count sheet was not used to account for money collected from the vending machines. As a result, there was no written evidence of how much was originally collected from the vending machines before it was turned in the ASB office. <p><i>Cabrillo Elementary</i></p> <ul style="list-style-type: none"> •Purchase orders or request forms were not used. Therefore, evidence of the written approval was missing. •Pre-numbered receipts/alternative method such as cash log, were not used for checks received by mail. •There was comingling of funds for student body account and the site cash collections. There was no separate general ledger/accounting record maintained to separate student body funds and site cash. In addition, they were both using the same bank account. •Bank deposits were not always made timely to the bank. In our testing, it was revealed that cash collections of \$227 from a fundraiser received on 12/10/10 had not been deposited to the bank as of 3/23/11. <p><i>Chadborne Elementary</i></p> <ul style="list-style-type: none"> •There was a prohibited transaction on cash collections (pennies for patients) in the amount of \$1,025. <p><i>Thornton Middle School</i></p> <ul style="list-style-type: none"> •Some of the disbursements did not have receiving evidence. •Some of the cash disbursements appeared to be prohibited expenditures. There were three disbursements for a leadership conference that the student body account advisor attended without any students. This type of expenditures would be allowable if the advisor was a chaperone. 	<p>30000</p>	<p>Some of the matters described were also identified in past audits. The District should continue its efforts to work with site personnel and take actions to correct the issues. In addition, supervisory review of the procedures on a periodic basis should be preformed to detect the tpe of errors resulting from these conditions</p>	<p>See Management Letter.</p>

FREMONT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2011-1:</i> <i>Student Body Accounts (continued)</i></p>	<p><i>Thornton Middle School (continued)</i></p> <ul style="list-style-type: none"> • Student store inventory was not maintained; there was no record on inventory taken after each event. • There was insufficient control on ticket sales. Ticket summaries were incomplete and did not document actual cash collected and overages and shortages. The ending ticket number for a sales summary tested did not agree to the ticket roll. <p><i>Robertson School</i></p> <ul style="list-style-type: none"> • There was comingling of funds for student body account and the site cash collections. The same receipt book was used for both student body funds and site cash. • Some of the disbursements did not have invoice and/or receiving evidence. • Some of the cash disbursements appeared to be prohibited expenditures. <p><i>Mission San Jose High School</i></p> <ul style="list-style-type: none"> • Some of the disbursements did not have receiving evidence. • One of the cash disbursements we reviewed appeared to be a prohibited expenditure. The student body account made a donation to a non-profit organization, which is the American Red Cross. The item would be allowable if the money was collected from a fund raising activity and deposited in a trust account or the donor make a check payable to the non-profit organization. • Sales or inventory records were not kept for the vending machine sale. <ul style="list-style-type: none"> • Student store deposit does not match with the total period of daily sales report and perpetual inventory record was not maintained. 			
<p><i>Finding 2011-2:</i> <i>Site Cash</i></p>	<p>There should be established policies and procedures in place to ensure that site cash has sufficient internal controls. In the current year site visits, the followings were revealed:</p> <p><i>Brier Elementary</i></p> <ul style="list-style-type: none"> • Pre-numbered receipts were not always issued for cash collections. 	<p>30000</p>	<p>The District should continue its effort to communicate with the sites regarding the policies and procedures on site cash receipting, and provide trainings that are necessary to ensure the above issues are corrected.</p>	<p>See Management Letter.</p>

FREMONT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2011-2:</i> <i>Site Cash (continued)</i></p>	<p><i>Cabrillo Elementary</i></p> <ul style="list-style-type: none"> • Current bank reconciliation was not available for review. Site was not able to locate the bank reconciliation after May 2010. <p><i>Chadbourne Elementary</i></p> <ul style="list-style-type: none"> • Bank reconciliation for revolving account was not prepared. <p><i>Circle of Independent Learning</i></p> <ul style="list-style-type: none"> • Bank reconciliation for revolving account was not prepared. <p><i>Harvey Green Elementary</i></p> <ul style="list-style-type: none"> • Pre-numbered receipts were not issued for cash collections. <p><i>Mission San Jose High School</i></p> <ul style="list-style-type: none"> • Pre-numbered receipts did not appear to be issued timely. During our examination of January 2011 cash collections, all the receipts issued during that month were written on the same date. 			
<p><i>Finding 2011-3:</i> <i>Journal Entry Process</i></p>	<p>Effective internal controls over accounting systems include having written policies and procedures in place and include requiring approval evidence and supporting documents for all transactions.</p> <p>Approval evidence for most of the journal entries made during the 2nd half of the fiscal year and year-end closing were missing.</p>	<p>30000</p>	<p>In order to safeguard the correctness/appropriateness of the journal entries, we recommend that the District evaluate its existing procedures over journal entries made to the accounting records. The District should ensure that there is a journal entry authorization process and approval by a second individual should be performed and documented on the journal entry forms or a monthly journal entry summary.</p>	<p>See Management Letter.</p>

(This page intentionally left blank)

To the Board of Trustees
Fremont Unified School District
Fremont, California

In planning and performing our audit of the basic financial statements of Fremont Unified School District for the year ending June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2012, on the financial statements of Fremont Unified School District.

Bank Accounts

Observation: During our testing of the District's Merchant Card Services Account, we noted that the June reconciliation had not been performed as of our year-end fieldwork dates in September.

Recommendation: We recommend that the District perform all bank reconciliations no later than one month after the close of the statement. This will ensure that any discrepancies noted can be followed up in a timely manner.

Cash Receipts

Observation: Checks received by the District are logged by an individual in the purchasing department and then sent to accounting department where one individual is responsible for recording the deposit into the financial system, physically depositing the amounts into the bank, and reconciling the bank statements. The Director of Accounting then reviews the reconciliation. However, during the review the back-up created in the accounting department is used to review the bank statement and reconciliation. This procedure provides the opportunity for the misappropriation of funds because the same individual is responsible for handling the recording, depositing, and reconciling functions.

Recommendation: We recommend that the Director of Accounting begin using the log sheet generated independently by the purchasing department to verify that all amounts received are deposited into the District's accounts.

To the Board of Trustees
Fremont Unified School District

Expenditures

Observation: During our review of District disbursements, we noted 7 instances in our sample of 47 where the invoice was dated prior to the approval of the purchase order for the expenditures. This indicates that purchases were made without prior authorization.

Recommendation: We recommend that all District disbursements be approved prior to the incurrence of any expenditure or purchase commitment. This will help to ensure that no unauthorized purchases are made.

Journal Entries

Observation: During our review of the Districts' controls over journal entries, we noted that all personnel in the accounting department have the ability to post journal entries to the financial system without prior approval. The District requires all personnel to submit each journal entry they post to the Director of Accounting for approval after the entry has been made. However, the entries made by the Director of Accounting are reviewed by a subordinate employee. Additionally, the District lacks a process to verify that no entries have been posted without approval.

Recommendation: We recommend that the District implement a reconciliation process to verify that all journal entries that have been entered have been properly approved. On a monthly or quarterly basis, a report should be generated from the accounting software that lists all the entries made during that time period. This report should then be cross-referenced to the supporting documents that have been filed by someone without access to post journal entries. Additionally, all journal entries posted by the Director of Accounting should be reviewed by the Assistant Superintendent of Business Services.

Associated Student Body (ASB) Funds

Observation: During our testing of the Student Body accounts, we noted several sites that were carrying excessively high cash balances in comparison to the yearly activity of the ASB. Student Body funds are intended to be used for the general well-being of current ASB students, and should not be carrying forward large balances year over year. The following sites were noted as having high cash balances as of June 30, 2012:

- Washington High School
- John F. Kennedy High School
- American High School
- Irvington High School
- Mission San Jose High School
- Hopkins Junior High School
- Mission Valley Elementary

Additionally, these large cash balances put the student funds at greater risk for fraud or misappropriation.

Recommendation: We recommend that the District inform all sites of best practices regarding ASB funds. Generally, an ASB should maintain reserves of no more than three-months worth of expenses. Additionally we recommend that the District work individually with each site noted to develop a corrective action plan for the use of the funds best suited for each site.

To the Board of Trustees
Fremont Unified School District

Associated Student Body (ASB) Funds (continued)

Observation: We noted that Associated Student Bodies at Kennedy High, Irvington High, Walters Middle, Thorton Junior High and Centerville Middle did not prepare a budget for the 2011-12 school year.

Recommendation: The ASBs should create a budget at the onset of the year and revise the budget as necessary. Additionally, after preparation of an annual operating budget, the Student Council should adopt the budget and document it in the minutes.

Observation: We noted that the ASB bookkeepers at American High, Kennedy High, Mission San Jose High, Walters Middle, Thomas Horner Middle and Hopkins Middle are signers on their respective ASB bank accounts.

Recommendation: Good internal controls include segregating duties according to employees' responsibilities so that one person is not handling a transaction from beginning to end. This is a critical part of a system of checks and balances. Those who record the transaction should be separate from those who authorize the transaction. We recommend that the bookkeepers be removed as signers.

Observation: During our review of internal controls at American High, Washington High and Thomas Horner Middle we discovered the ASBs are giving out gift cards as student incentives and staff appreciation awards. We would advise that the ASBs not use gift cards as student incentives. Additionally, ASB funds should be spent on students and not on staff members.

Recommendation: The District should review its policy on student awards, as the governing board needs to have previously approved rules and regulations concerning such awards. Of particular concern is a purchase of a \$700 Costco gift card at Washington High since there was no tracking of what was purchased with the gift cards. Without a proper accounting of what was purchased by the gift card it is impossible to identify if the items were approved or accounted for.

Observation: Receipt of goods was not documented for two of the ten disbursements selected for Thorton Junior High, 10 of 25 for Irvington High, one of 25 at Washington High and seven of 23 for Kennedy High.

Recommendation: We recommend that after verifying the contents received that an "O.K. to pay" or "received" marking be indicated and retained. This is important to do, as it insures payment is not being made for items received incorrectly or not received at all.

Observation: During our disbursements testing we noted that after the expenses have been paid, the student councils were not ratifying the expenses by documenting approval in their student minutes. We noted this at the following schools:

- **Centerville Middle:** 8 of 25 expenditures tested
- **Kennedy High:** 3 of 23 expenditures tested
- **American High:** 17 of 25 expenditures tested
- **Irvington High:** 25 of 25 expenditures tested

Recommendation: We recommend that all disbursements of ASB funds be ratified after they have been paid in the minutes of the student council meetings.

To the Board of Trustees
Fremont Unified School District

Associated Student Body (ASB) Funds (continued)

Observation: During our testing at Thorton Junior High, we noted that the drama club held a 50/50 raffle as a fundraiser. As a school entity, ASBs are not authorized to conduct raffles.

Recommendation: We recommend that the ASB find a private, non-district, non-ASB nonprofit group to conduct the raffle and donate the proceeds to the ASB.

Observation: During our testing of cash receipts, we noted several instances where bank deposits were not made in a timely manner. We noted this at the following schools:

- **Thorton Junior High:** 2 of 5 deposits tested
- **Hopkins Middle:** 1 of 5 deposits tested

In addition, a deposit composed mainly of yearbook collections consisted of receipts that were not issued in sequence and/or reconciliation.

Recommendation: We recommend that the ASB make deposits at least once a week. Receipts should be issued in sequence to create a valid audit trail.

Observation: During our testing of student council disbursements we noted, in several instances, where expenses were not approved by the three required representatives prior to the invoice date. We noted this at the following schools:

- **Thorton Junior High:** 7 of 25 expenditures tested
- **Horner Middle:** 4 of 15 expenditures tested
- **Kennedy High:** 1 of 23 expenditures tested
- **American High:** 2 of 25 expenditures tested
- **Mission San Jose High:** 4 of 25 expenditures tested
- **Irvington High:** 1 of 25 expenditures tested

Recommendation: Approval for ASB expenditures should be obtained prior to incurring the expense to ensure that only authorized purchases are being made on behalf of the ASB.

Observation: Our sample of seven bank deposits at Horner Middle included two instances where appropriate sub-receipts were missing and could not be reconciled to receipts. It occurred when \$1,890 was collected without tracking sales with a tally sheet for math donations and when \$14,809 was collected for a candy bar fundraiser. Without an adequate audit trail, it is difficult to verify that all cash collected has been deposited intact.

Recommendation: We recommend that some form of documentation is retained that can clearly substantiate collections such as tally sheets, sequentially issued receipts or spreadsheets with sign-offs.

To the Board of Trustees
Fremont Unified School District

Associated Student Body (ASB) Funds (continued)

Observation: During our review of disbursements at Walters Middle, we selected one for Adopt an Angel Charity. There are certain circumstances in which donations may be acceptable, but in general they require that the opening of a separate bank account and/or stipulating that all funds collected are going to the charity. However, once the funds are deposited into the ASB bank account they become ASB funds and are considered public monies which are not eligible for donation.

Recommendation: We would recommend the site review its procedures and ensure that proper procedures are followed on these types of collection activities in the future.

Observation: Our sample of three cash receipts at Walters Middle included two collections that were not deposited for more than two weeks after the point of collection. For cash receipts, deposits of the collections should be entered into the accounting software and deposited within two weeks, preferably one. Sound controls over the handling of cash discourage theft of the ASB funds and protect those who handle the cash. Additionally, the other deposit for a candy fundraiser tested did not have an audit trail from the point of collection until deposit.

Recommendation: We recommend that the site develop procedures to make sure that both the candy and cash collected are properly safeguarded.

Observation: At Kennedy High, we inquired about the ASB's knowledge over food sales conducted during the year. We were notified that the site holds an International Week where food is sold, but it is not known whether the items sold meet nutritional guidelines outlined in Education Code Sections 35182.5 & 49431 and SB12.

Recommendation: We recommend that the District provide oversight to the sites and advise them on the requirements for conducting food sales.

Observation: We noted one expenditure at American High that did not have adequate supporting documentation such as an invoice or receipts. It was for a payment made in the amount of \$4,947; the only support for the transaction was a credit card statement. The lack of supporting documentation is a concern because there is no way to determine that the expenditures were made for authorized goods or services.

Recommendation: It is important for the Student Council to retain supporting documentation when they make payments. We recommend that the District require all expenditures to be substantiated by original receipts prior to a check for reimbursement being distributed.

Observation: We were informed that regular inventory counts are not performed on vending machines that are filled by the ASB at American High.

Recommendation: We would recommend that periodic inventories be taken and reconciled to the amount of cash collected so that the vending machine deposits can have supporting documentation. We also selected a deposit that could not be substantiated to supporting documentation. The collections for this deposit were from the Fall Play which deposited \$2,852. We recommend that tally sheets be used to account for sales, or if tickets are issued then ensure that they are prenumbered and that a ticket control worksheet is kept.

To the Board of Trustees
Fremont Unified School District

Associated Student Body (ASB) Funds (continued)

Observation: Our sample of ten deposits at Washington High included three collections that did not have audit trails from the point of collection until their deposit. Two of the exceptions were due to deposits which included concession sales and did not include back-up such as tally sheets, and the other did not have proper supporting documentation such as receipts issued in sequence.

Recommendation: We recommend that the site develop procedures to make sure proper documentation is issued and retained to support deposits when payments are collected.

Observation: During our review of club accounts at Washington High, we noted that the site is operating trust accounts through regular ASB accounts.

Recommendation: We recommend that these trust accounts be accounted for separately to ensure funds are used properly.

We will review the status of the current year comments during our next audit engagement.

Nigro & Nigro, PC

December 10, 2012