

**FREMONT UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2013**



**FREMONT UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2013*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
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 fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 2012-13*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 43 and 44, and schedule of funding progress on page 45 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Nigro+Nigro, PC*

December 6, 2013

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
 For the Fiscal Year Ended June 30, 2013

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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, 2013. 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. Net position of governmental activities decreased by \$5.2 million, or 2.5%.
- Governmental expenses were about \$302.5 million. Revenues were about \$297.3 million.
- The District spent over \$5.1 million in new capital assets during the year. These expenditures were incurred primarily from capital project funds.
- The District increased its outstanding long-term debt by \$4.5 million. This was primarily due to the increased liability under GASB 45 for postemployment benefits.
- Grades K-12 average daily attendance (ADA) increased by 630, or 2.0%.

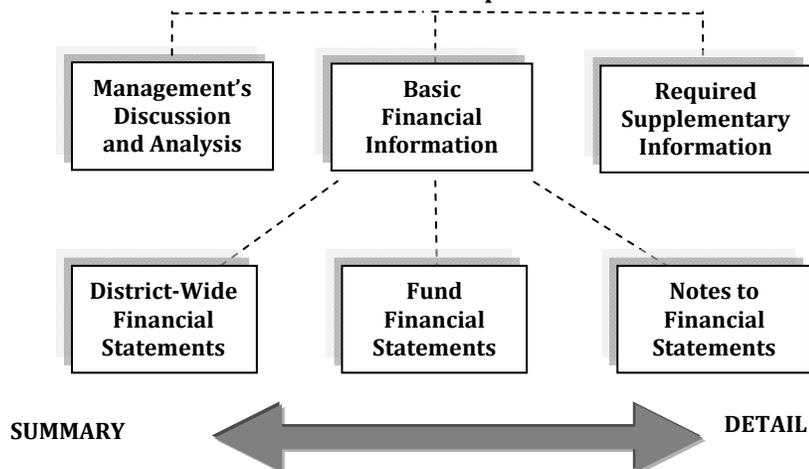
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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, 2013*

**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**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> </ul>
<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, 2013*

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### 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 position 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 position and how it has changed. Net Position – 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 position 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, 2013*

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**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 Position 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 position. 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 Position.** The District's combined net position was lower on June 30, 2013, than it was the year before – decreasing 2.5% to \$205.0 million. (See Table A-1).

**Table A-1**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>(In millions)</b>		<b>Increase</b>
	<b>2013</b>	<b>2012</b>	<b>(Decrease)</b>
Current assets	\$ 113.2	\$ 109.2	\$ 4.0
Non-current and capital assets	334.9	332.8	2.1
<b>Total assets</b>	<b>448.1</b>	<b>442.0</b>	<b>6.1</b>
Current liabilities	31.1	24.3	6.8
Long-term liabilities	212.0	207.5	4.5
<b>Total liabilities</b>	<b>243.1</b>	<b>231.8</b>	<b>11.3</b>
Net position			
Net investment in capital assets	127.8	135.7	(7.9)
Restricted	51.3	51.2	0.1
Unrestricted	25.9	23.3	2.6
<b>Total net position</b>	<b>\$ 205.0</b>	<b>\$ 210.2</b>	<b>\$ (5.2)</b>

**Changes in net position, governmental activities.** The District's total revenues decreased 0.3% to \$297.3 million (See Table A-2). The decrease is due primarily to federal sequestration cuts.

The total cost of all programs and services increased 0.8% to \$302.5 million. The District's expenses are predominantly related to educating and caring for students, 79.5%. The purely administrative activities of the District accounted for just 3.8% of total costs. A significant contributor to the increase in costs was increases in salaries and benefits.

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2013*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in net position, governmental activities (continued)**

Table A-2

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2013</b>	<b>2012</b>	
Total Revenues	\$ 297.3	\$ 298.2	\$ (0.9)
Total Expenses	302.5	300.1	2.4
Increase (decrease) in net position	<u>\$ (5.2)</u>	<u>\$ (1.9)</u>	<u>\$ (3.3)</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 \$83.4 million, which is below last year's ending fund balance of \$89.1 million. The primary cause of the decreased fund balance is increased costs due to collective bargaining agreements.

**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
  - District's Revenue Limit increased by \$56 per ADA
  - With the passage of Proposition 30, the District avoided a further loss of \$441 or \$14.2 million
  - Increase in Revenue Limit Funding due to increase in ADA of 632.60
  - 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
  - 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 that expenditures would exceed revenues by approximately \$13.6 million, the actual results for the year show that expenditures exceeded revenues by roughly \$3.8 million. Actual revenues were \$1.7 million less than anticipated, and expenditures were \$11.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2013 that will be carried over into the 2013-14 budget.

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2013*

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2012-13 the District had invested \$5.1 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 \$10.5 million.

**Table A-3: Capital Assets at Year-End, Net of Depreciation**

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2013	2012	
Land	\$ 9.5	\$ 9.5	\$ -
Improvement of sites	21.5	22.2	(0.7)
Buildings	275.8	283.5	(7.7)
Equipment	1.2	1.6	(0.4)
Construction in progress	15.5	12.1	3.4
Total	<u>\$ 323.5</u>	<u>\$ 328.9</u>	<u>\$ (5.4)</u>

**Long-Term Debt**

At year-end the District had \$212.0 million in general obligation bonds, capital leases, and employment benefits – an increase of 2.2% 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)
	2013	2012	
General obligation bonds	\$ 197.6	\$ 197.2	\$ 0.4
Compensated absences	1.3	1.5	(0.2)
Capital leases	0.2	0.4	(0.2)
Other postemployment benefits	12.9	8.4	4.5
Total	<u>\$ 212.0</u>	<u>\$ 207.5</u>	<u>\$ 4.5</u>

**ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2013-14 BUDGET**

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 2013-14 Budget at the time of the June 2013 budget adoption.

The following assumptions were used in projecting revenues:

- The enrollment for 2013-14 is projected at 33,557 students, which represents an increase of 365 students from 2012-13.
- Average Daily Attendance (ADA) is projected at 32,604, which represents a 97.16% attendance rate.

## FREMONT UNIFIED SCHOOL DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2013*

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#### **ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2013-14 BUDGET (continued)**

- The District used the current law in estimating revenue limit, which consists of the following:
  - Projected ADA of 32,604
  - Cost of Living Adjustment (COLA) of 1.565% reduced by a deficit factor of 18.997%
  - Funded Base Revenue Limit (BRL) per ADA of \$5,517.75, which is an increase of \$304.67 from prior year
- Medical Administrative Activities (MAA) program is a reimbursement for school-based health care and outreach services to Medical-eligible students, disabled student populations, and their families. The District projects \$400,000 in reimbursement for 2013-14.
- Federal revenues are estimated to decline between 5.2% to 15% due primarily to “Federal Sequestration” and changes in census information that affects funding calculation.
- Funding for K-3 Class Size Reduction was modified in 2008-09, which allowed class sizes higher than 20 students to receive reduced funding. This flexibility is set to expire on June 30, 2014. The revenue for 2013-14 is estimated at \$5.6 million, which is the same level as the prior year.
- The Mandated Cost Block grant, which started in 2012-13, provided \$28 per student. The Governor proposed to increase the funding by \$19 per student for a total of \$47 per student effective July 1, 2013. The estimated Mandated Cost Block grant for 2013-14 is \$1.5 million.
- Lottery funds are estimated at \$154 per student, which is made up of \$124 in unrestricted lottery funds and \$30 in restricted lottery funds (to be used for the cost of textbooks). This funding may change during the year based on the revenue generated from the sale of lottery tickets.
- The flexibility of the Tier III State categorical programs remain in effect for 2013-14 and 2014-15, but are set to expire by June 30, 2015. The revenues are estimated at the same level as prior year.
- Other State categorical programs are estimated at the same level as prior year, except for Economic Impact Aid (EIA), which is estimated to decline by 15% due to changes in the census that affects the funding calculations.
- Special Education funding under Assembly Bill (AB) 602 is projected with COLA of 1.565%.
- Local categorical program revenues are budgeted based on the funding commitment from the donors. Revenue projection will be adjusted as new commitments are received from donors.
- Proceeds from the parcel tax are estimated at \$3.2 million. The District is currently evaluating the impact of the senior exemptions and the fees for assessing the tax. This amount will be confirmed in the next budget revision.
- Carryover of any unspent prior year funds for Federal, State, and Local categorical programs will be budgeted after the close of the books for 2012-13.

The following assumptions were used in projecting expenditures:

- Classroom staffing is estimated using the following class sizes and ratio:
  - Grade K 28:1
  - Grades 1-3 30:1
  - Grades 4-6 30:1
  - Grades 7-8 27.5:1 (Ratio)
  - Grades 9-12 27.5:1 (Ratio)
- Step and column movement in the salary schedule is calculated for all eligible employees. A step change is a movement in the salary schedule upon completion of each year of service to the district. Teachers' column movements are granted upon completion of additional credentials during the year.
- On May 17, 2013, the Fremont Unified District Teachers Association (FUTA) and the District reached an agreement in their contract negotiation. FUDTA and the Governing Board ratified the agreement. Certificated salary expenditures for 2012-13 include the cost of 4% one-time off-schedule payment to all members of FUDTA, while expenditures for 2013-14 include the cost of 2% salary increase.

## FREMONT UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2013*

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### ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2013-14 BUDGET (continued)

- The California School Employees Association (CSEA) and Service Employees International Union (SEIU) have not completed its bargaining with the District and have not reached an agreement. The costs of any adjustments to salaries and benefits will be adjusted in the next budget revision following the agreement. The cost of 1% of salaries and benefits for CSEA is \$269,000 and for SEIU is \$138,000.

The letter of conferment with Fremont School Management Association (FSMA) will be presented to the Governing Board for approval on June 26, 2013, which is consistent with the FUDTA agreement. Due to the timing, the cost associated with this agreement is not included in the proposed budget. The cost of this agreement is estimated at \$624,000 for 2012-13 and \$332,000 for 2013-14. The budget will be adjusted to include these amounts in the next scheduled budget revision, contingent upon the Governing Board's approval.

- The following positions will be added to the existing support staff at the school sites:
  - 10.0 FTE Secondary Counselors
  - 3.0 FTE Assistant Principals for the larger elementary schools
- The employee benefits expenditures do not include the potential impact of the "Affordable Care Act" that will take effect on January 1, 2014.
- The following statutory employee benefits are used in calculating labor costs:
  - State Teachers Retirement System (STRS) 8.25%
  - Public Employee Retirement System (PERS) 13.02%
  - Federal Insurance Contribution Act (FICA) 6.20%
  - Medicare 1.45%
  - State Unemployment Insurance (SUI) 1.10%
  - Worker's Compensation (WC) 3.13%
  - Other Post-Employment Benefit (OPEB) 1.70%
- Unemployment insurance has decreased from 1.1% to 0.05%.
- Utility costs are projected to remain the same as prior year. Any savings from the conservation effort will be adjusted in the future budget revisions.
- A contribution to Special Education and Home to School Transportation Program is estimated at \$18.8 million and \$2 million, respectively.
- Proceeds from the parcel tax (Measure K) will continue to fund the following positions:
  - Librarians
  - Library Media Technicians
  - Computer Teachers (Preparation Time)
- The cost of the General Obligation Bond election is estimated at \$300,000.
- The District's approved indirect cost rate for 2013-14 is 5.1%.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Raul Parungao, Assistant Superintendent, Business Services, 4210 Technology Drive, Fremont, CA 94538 or (510) 659-2572.

**FREMONT UNIFIED SCHOOL DISTRICT***Statement of Net Position**June 30, 2013*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 75,327,050
Investments	1,361,672
Accounts receivable	33,218,301
Deposit on acquisition of land	2,540,000
Inventories	526,533
Prepaid expenses	222,501
Total current assets	<u>113,196,057</u>
<b>Non-current assets:</b>	
Unamortized debt issuance costs	1,276,256
Deferred charges on refunding	10,236,188
Total non-current assets	<u>11,512,444</u>
<b>Capital assets:</b>	
Non-depreciable capital assets	24,977,244
Depreciable capital assets	469,372,490
Less accumulated depreciation	<u>(170,896,771)</u>
Total capital assets, net of depreciation	<u>323,452,963</u>
Total assets	<u>448,161,464</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	31,085,639
Deferred revenue	41,636
Total current liabilities	<u>31,127,275</u>
<b>Long-term liabilities:</b>	
Due or payable within one year	10,519,319
Due or payable after one year	201,493,744
Total long-term liabilities	<u>212,013,063</u>
Total liabilities	<u>243,140,338</u>
<b>NET POSITION</b>	
Net investment in capital assets	127,826,743
Restricted for:	
Capital projects	28,969,396
Debt service	12,818,321
Categorical programs	9,477,808
Unrestricted	<u>25,928,858</u>
Total net position	<u>\$ 205,021,126</u>

# FREMONT UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instructional Services:					
Instruction	\$ 187,869,565	\$ 484,880	\$ 30,820,975	\$ 765	\$ (156,562,945)
Instruction-Related Services:					
Supervision of instruction	10,017,170	48,319	6,058,757	-	(3,910,094)
Instructional library, media and technology	3,427,919	428	7,649	-	(3,419,842)
School site administration	19,549,249	2,926	297,037	-	(19,249,286)
Pupil Support Services:					
Home-to-school transportation	5,324,299	244,022	2,662,226	-	(2,418,051)
Food services	6,060,018	2,598,603	3,246,316	-	(215,099)
All other pupil services	8,153,389	31,955	1,315,251	-	(6,806,183)
General Administration Services:					
Data processing services	2,225,892	44	778	-	(2,225,070)
Other general administration	9,207,154	134,525	1,485,518	-	(7,587,111)
Plant services	25,561,884	19,919	195,846	-	(25,346,119)
Ancillary services	1,193,125	495	319,952	-	(872,678)
Community services	534,566	182	3,260	-	(531,124)
Transfers between agencies	17,877,442	-	9,710,219	-	(8,167,223)
Other outgo	5,503,494	372,298	4,696,487	-	(434,709)
Total Governmental Activities	\$ 302,505,166	\$ 3,938,596	\$ 60,820,271	\$ 765	(237,745,534)
<b>General Revenues:</b>					
Property taxes					112,712,987
Federal and state aid not restricted to specific purpose					114,218,842
Interest and investment earnings					218,181
Interagency revenues					223,786
Miscellaneous					5,127,504
Total general revenues					232,501,300
Change in net position					(5,244,234)
Net position - July 1, 2012					210,265,360
Net position - June 30, 2013					\$ 205,021,126

**FREMONT UNIFIED SCHOOL DISTRICT**

*Balance Sheet – Governmental Funds*

*June 30, 2013*

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 30,949,405	\$ -	\$ 24,358,007	\$ 12,810,128	\$ 7,081,532	\$ 75,199,072
Investments	1,361,672	-	-	-	-	1,361,672
Accounts receivable	27,039,434	5,214,830	43,332	8,193	912,415	33,218,204
Due from other funds	405,611	224	-	-	245,952	651,787
Inventories	296,726	-	-	-	229,807	526,533
Prepaid expenditures	217,697	-	-	-	4,804	222,501
<b>Total Assets</b>	<b>\$ 60,270,545</b>	<b>\$ 5,215,054</b>	<b>\$ 24,401,339</b>	<b>\$ 12,818,321</b>	<b>\$ 8,474,510</b>	<b>\$ 111,179,769</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 20,434,991	\$ 5,215,054	\$ 831	\$ -	\$ 1,426,832	\$ 27,077,708
Due to other funds	296,176	-	-	-	405,611	701,787
Deferred revenue	41,636	-	-	-	-	41,636
<b>Total Liabilities</b>	<b>20,772,803</b>	<b>5,215,054</b>	<b>831</b>	<b>-</b>	<b>1,832,443</b>	<b>27,821,131</b>
<b>Fund Balances</b>						
Nonspendable	614,423	-	-	-	234,611	849,034
Restricted	8,512,380	-	24,400,508	12,818,321	5,534,316	51,265,525
Assigned	14,416,275	-	-	-	873,140	15,289,415
Unassigned	15,954,664	-	-	-	-	15,954,664
<b>Total Fund Balances</b>	<b>39,497,742</b>	<b>-</b>	<b>24,400,508</b>	<b>12,818,321</b>	<b>6,642,067</b>	<b>83,358,638</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 60,270,545</b>	<b>\$ 5,215,054</b>	<b>\$ 24,401,339</b>	<b>\$ 12,818,321</b>	<b>\$ 8,474,510</b>	<b>\$ 111,179,769</b>

## FREMONT UNIFIED SCHOOL DISTRICT

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2013

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<b>Total fund balances - governmental funds</b>			\$ 83,358,638
Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$494,349,734, and the accumulated depreciation is \$(170,896,771).			323,452,963
In governmental funds, a deposit for the acquisition of land is recognized as an expenditure in the period it is paid. In the government-wide statements, a deposit on the acquisition of land is recognized as a current asset. The amount of deposits on land at the end of the period was:			2,540,000
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:			(12,874,958)
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:			(3,837,504)
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 were:			10,236,188
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 position are:			1,276,256
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	197,587,688	
	Compensated absences payable	1,313,473	
	Capital leases payable	<u>236,944</u>	(199,138,105)
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 position. Net position for internal service funds is:			<u>7,648</u>
<b>Total net position - governmental activities</b>			<u><u>\$ 205,021,126</u></u>

# FREMONT UNIFIED SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2013

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenue limit sources	\$ 171,843,816	\$ -	\$ -	\$ -	\$ 1,435,438	\$ 173,279,254
Federal sources	12,470,655	3,548,085	-	-	2,988,884	19,007,624
Other state sources	59,882,315	9,688,286	-	111,917	1,114,891	70,797,409
Other local sources	13,378,574	-	1,169,014	14,697,116	4,931,942	34,176,646
Total Revenues	257,575,360	13,236,371	1,169,014	14,809,033	10,471,155	297,260,933
<b>EXPENDITURES</b>						
Current:						
Instruction	175,479,131	-	-	-	2,097,211	177,576,342
Instruction-related services:						
Supervision of instruction	9,159,420	-	-	-	348,325	9,507,745
Instructional library, media and technology	3,159,909	-	-	-	61,191	3,221,100
School site administration	18,296,299	-	-	-	136,979	18,433,278
Pupil support services:						
Home-to-school transportation	5,061,530	-	-	-	-	5,061,530
Food services	3,314	-	-	-	5,754,856	5,758,170
All other pupil services	7,702,920	-	-	-	18,281	7,721,201
Ancillary services	1,127,674	-	-	-	-	1,127,674
Community services	511,506	-	-	-	-	511,506
General administration services:						
Data processing services	2,138,048	-	-	-	2,600	2,140,648
Other general administration	8,455,377	13,236,371	-	-	416,840	22,108,588
Plant services	23,755,299	-	183,418	-	134,140	24,072,857
Transfers of indirect costs	(258,842)	-	-	-	258,842	-
Capital outlay	1,269,216	-	139,681	-	6,473,392	7,882,289
Intergovernmental transfers	4,636,712	-	-	-	4,359	4,641,071
Debt service:						
Principal	202,589	-	-	4,361,362	1,275	4,565,226
Interest	85,762	-	-	8,552,956	336	8,639,054
Issuance costs	-	-	-	402,625	-	402,625
Total Expenditures	260,785,864	13,236,371	323,099	13,316,943	15,708,627	303,370,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,210,504)	-	845,915	1,492,090	(5,237,472)	(6,109,971)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	636,705	-	-	-	-	636,705
Interfund transfers out	-	-	(636,705)	-	-	(636,705)
Proceeds from refunding bonds	-	-	-	80,415,000	-	80,415,000
Premium on long-term debt	-	-	-	3,873,141	-	3,873,141
Transfer to escrow agent for defeased debt	-	-	-	(83,885,516)	-	(83,885,516)
Total Other Financing Sources and Uses	636,705	-	(636,705)	402,625	-	402,625
Net Change in Fund Balances	(2,573,799)	-	209,210	1,894,715	(5,237,472)	(5,707,346)
Fund Balances, July 1, 2012	42,071,541	-	24,191,298	10,923,606	11,879,539	89,065,984
Fund Balances, June 30, 2013	\$ 39,497,742	\$ -	\$ 24,400,508	\$ 12,818,321	\$ 6,642,067	\$ 83,358,638

# 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, 2013

**Total net change in fund balances - governmental funds** \$ (5,707,346)

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:

Expenditures for capital outlay	5,116,706	
Depreciation expense	(10,528,275)	
Net:		(5,411,569)

In governmental funds, a deposit for the acquisition of land is recognized as an expenditure in the period it is paid. In the government-wide statements, a deposit on the acquisition of land is recognized as a current asset. Expenditures for the deposit on the acquisition of land during the period were: 2,540,000

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 position. Expenditures for repayment of the principal portion of long-term liabilities were: 78,660,224

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: (4,475,987)

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: (436,924)

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: (84,288,141)

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: 346,125

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: 1,944,710

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: 3,518,952

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: 7,929,016

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: 138,569

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: (1,863)

**Change in net position of governmental activities** \$ (5,244,234)

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2013*

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	Governmental Activities Internal Service Fund
<b>ASSETS</b>	
Cash	\$ 127,978
Due from other funds	50,000
Accounts receivable	97
	<hr/>
Total assets	178,075
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	45,426
Claims liabilities	125,001
	<hr/>
Total liabilities	170,427
	<hr/>
<b>NET POSITION</b>	
Restricted for insurance claims	\$ 7,648
	<hr/> <hr/>

**FREMONT UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2013*

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	<u>Governmental Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 50,000
Other revenues	<u>115</u>
Total operating revenues	50,115
<b>OPERATING EXPENSES</b>	
Services and other operating expenditures	<u>52,382</u>
Operating Income (Loss)	(2,267)
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>404</u>
Change in net position	(1,863)
Net position, July 1, 2012	<u>9,511</u>
Net position, June 30, 2013	<u><u>\$ 7,648</u></u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2013*

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	Governmental Activities <u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	\$ 166,300
Cash received from other local sources	115
Cash payments for payroll, insurance and operating costs	<u>(92,699)</u>
Net cash provided by operating activities	73,716
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>374</u>
Net increase in cash	74,090
Cash, July 1, 2012	<u>53,888</u>
Cash, June 30, 2013	<u><u>\$ 127,978</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (2,267)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivables and amounts due from other funds	116,300
Decrease in accounts payable and current liabilities	<u>(40,317)</u>
Net cash provided by operating activities	<u><u>\$ 73,716</u></u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position - Fiduciary Funds*  
*June 30, 2013*

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	Agency Funds
	<u>Student Body Funds</u>
<b>Assets</b>	
Cash	\$ 1,610,605
Inventory	<u>19,122</u>
<b>Total Assets</b>	<u><u>\$ 1,629,727</u></u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 1,629,727</u>
<b>Total Liabilities</b>	<u><u>\$ 1,629,727</u></u>

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The accompanying financial statements present the activities of Fremont Unified School District and any component units which are legally separate organizations for which the District is financially accountable. Component units are so intertwined with the District that they are, in substance, the same as the District and, therefore, are blended and reported as if they were part of the District. The District has no component units.

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

#### 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.

## FREMONT UNIFIED SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2013*

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

##### Major Governmental Funds (continued)

**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.

**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.

##### 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.

**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.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. 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.

###### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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.

##### 2. Measurement Focus, Basis of Accounting

###### Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. 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 final adopted and revised budgets are presented for the General Fund and the Special Education Pass-Through 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.

#### D. 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.

#### E. Assets, Liabilities, and Net Position

##### 1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013, based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments". Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

##### 2. Cash and Cash Equivalents

The District considers cash and cash equivalents in proprietary funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

##### 3. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

##### 4. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities, and Net Position (continued)

##### 5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

##### 6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

##### 7. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2013

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#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Liabilities, and Net Position (continued)

###### 7. Fund Balances (continued)

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

##### F. 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 reported period. Actual results could differ from those estimates.

##### G. New GASB Pronouncements

During the 2012-13 fiscal year, the following GASB Pronouncements became effective:

**GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements:***

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

**GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34:*** The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### G. New GASB Pronouncements (continued)

**GASB Statement No. 61 (continued)** This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government.

**GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements:** The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.”

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

**Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position:** This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

**FREMONT UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2013***NOTE 2 – CASH AND INVESTMENTS**

Cash at June 30, 2013 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	\$ 74,439,562	\$ 127,978	\$ 74,567,540	\$ -
Cash with fiscal agent	1,027	-	1,027	-
Total Pooled Funds	<u>74,440,589</u>	<u>127,978</u>	<u>74,568,567</u>	<u>-</u>
Deposits:				
Cash on hand and in banks	658,483	-	658,483	1,610,605
Cash in revolving fund	100,000	-	100,000	-
Total Deposits	<u>758,483</u>	<u>-</u>	<u>758,483</u>	<u>1,610,605</u>
Total Cash	<u>\$ 75,199,072</u>	<u>\$ 127,978</u>	<u>\$ 75,327,050</u>	<u>\$ 1,610,605</u>
Investments:				
Local Agency Investment Fund	<u>\$ 1,361,672</u>	<u>\$ -</u>	<u>\$ 1,361,672</u>	

**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, 2013, 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. 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). 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.

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2013*

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk – Deposits (continued)**

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, 2013, \$2,419,620 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, 2013, 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, 2013, the District had an investment in the Local Agency Investment Fund which represents all of the District's net investments.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:							
Categorical aid programs	\$ 5,600,222	\$ 2,255,980	\$ -	\$ -	\$ 510,950	\$ 8,367,152	\$ -
State Government:							
Revenue limit	4,675,709	-	-	-	177,871	4,853,580	-
Class size reduction	2,542,822	-	-	-	-	2,542,822	-
Lottery	2,863,732	-	-	-	19,567	2,883,299	-
Special education	5,603,000	2,669,713	-	-	-	8,272,713	-
Other state programs	5,387,067	289,137	-	-	152,117	5,828,321	-
Local:							
Interest	21,835	-	16,104	8,193	5,741	51,873	97
Miscellaneous	345,047	-	27,228	-	46,169	418,444	-
<b>Total</b>	<b>\$ 27,039,434</b>	<b>\$ 5,214,830</b>	<b>\$ 43,332</b>	<b>\$ 8,193</b>	<b>\$ 912,415</b>	<b>\$ 33,218,204</b>	<b>\$ 97</b>

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2013*

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Balances Due To/From Other Funds**

Balances due/to other funds at June 30, 2013 consisted of the following:

	Due From Other Funds			Total Governmental Funds	Proprietary Fund	Total
	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds			
General Fund	\$ -	\$ 224	\$ 245,952	\$ 246,176	\$ 50,000	\$ 296,176
Non-Major Governmental Funds	405,611	-	-	405,611	-	405,611
<b>Total</b>	<b>\$ 405,611</b>	<b>\$ 224</b>	<b>\$ 245,952</b>	<b>\$ 651,787</b>	<b>\$ 50,000</b>	<b>\$ 701,787</b>

General Fund due to Charter School Fund for in-lieu property taxes	\$ 154,295
General Fund due to Cafeteria Fund for PERS reduction	5,650
General Fund due to Special Education Pass-Through Fund for 12/13 apportionment	224
General Fund due to Child Development Fund for Cal-Safe program	86,007
General Fund due to Self Insurance Fund for insurance contribution	50,000
Charter School Fund due to General Fund for 3% admin cost and audit fees	45,804
Child Development Fund due to General Fund for indirect costs	38,755
Cafeteria fund due to General Fund for indirect costs	221,136
Building Fund due to General Fund for Irvington HS HVAC project	70,251
Capital Facilities Fund due to General Fund for 3% administrative fee	29,665
<b>Total</b>	<b>\$ 701,787</b>

As of June 30, 2013, the District's Adult Education Fund owed the General Fund \$113,647 for apportionment and indirect costs. As described in Note 1.B. 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. Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended June 30, 2013 consisted of the following:

Special Reserve Fund for Capital Outlay Projects transfer to General Fund for rental revenue from Marshall site	<u>\$ 636,705</u>
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# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### 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, 2013, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Stores inventories	296,726	-	-	229,807	526,533
Prepaid expenditures	217,697	-	-	4,804	222,501
Total Nonspendable	614,423	-	-	234,611	849,034
<b>Restricted:</b>					
Categorical programs	8,512,380	-	-	965,428	9,477,808
Capital projects	-	24,400,508	-	4,568,888	28,969,396
Debt service	-	-	12,818,321	-	12,818,321
Total Restricted	8,512,380	24,400,508	12,818,321	5,534,316	51,265,525
<b>Assigned:</b>					
Additional 2% reserve	5,125,826	-	-	-	5,125,826
Medi-Cal administrative activities (MAA)	458,541	-	-	-	458,541
Mandated costs	658,550	-	-	-	658,550
Tier III programs	1,165,685	-	-	-	1,165,685
Schools' facility use funds	334,022	-	-	-	334,022
SEIU professional growth	51,059	-	-	-	51,059
Emergency supplies projects	53,976	-	-	-	53,976
Charter school program	-	-	-	817,170	817,170
Adult education program	3,490,497	-	-	-	3,490,497
Child development program	-	-	-	55,970	55,970
Deferred maintenance program	3,078,119	-	-	-	3,078,119
Total Assigned	14,416,275	-	-	873,140	15,289,415
<b>Unassigned:</b>					
Reserve for economic uncertainties	5,125,826	-	-	-	5,125,826
Remaining unassigned balances	10,828,838	-	-	-	10,828,838
Total Unassigned	15,954,664	-	-	-	15,954,664
<b>Total</b>	<b>\$ 39,497,742</b>	<b>\$ 24,400,508</b>	<b>\$ 12,818,321</b>	<b>\$ 6,642,067</b>	<b>\$ 83,358,638</b>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2013*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance, July 1, 2012	Additions	Retirements	Balance, June 30, 2013
Capital assets not being depreciated:				
Land	\$ 9,494,607	\$ -	\$ -	\$ 9,494,607
Construction in progress	12,099,812	4,805,416	1,422,591	15,482,637
Total capital assets not being depreciated	<u>21,594,419</u>	<u>4,805,416</u>	<u>1,422,591</u>	<u>24,977,244</u>
Capital assets being depreciated:				
Improvement of sites	44,408,604	765,554	-	45,174,158
Buildings	412,611,275	968,327	-	413,579,602
Equipment	10,803,900	-	185,170	10,618,730
Total capital assets being depreciated	<u>467,823,779</u>	<u>1,733,881</u>	<u>185,170</u>	<u>469,372,490</u>
Accumulated depreciation for:				
Improvement of sites	(22,253,853)	(1,456,683)	-	(23,710,536)
Buildings	(129,142,172)	(8,657,398)	-	(137,799,570)
Equipment	(9,157,641)	(414,194)	(185,170)	(9,386,665)
Total accumulated depreciation	<u>(160,553,666)</u>	<u>(10,528,275)</u>	<u>(185,170)</u>	<u>(170,896,771)</u>
Total capital assets being depreciated, net	<u>307,270,113</u>	<u>(8,794,394)</u>	<u>-</u>	<u>298,475,719</u>
Governmental activity capital assets, net	<u>\$ 328,864,532</u>	<u>\$ (3,988,978)</u>	<u>\$ 1,422,591</u>	<u>\$ 323,452,963</u>

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

<b>Governmental Activities:</b>	
Instruction	\$ 7,014,537
Supervision of instruction	369,262
Instructional library, media, and technology	141,658
School site administration	771,935
Home-to-school transportation	227,023
Food services	243,274
All other pupil services	297,548
Ancillary services	47,171
Community services	21,864
All other general administration	339,094
Data processing services	63,631
Plant services	991,278
Total depreciation	<u>\$ 10,528,275</u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2013

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**NOTE 7 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 176,001,725	\$ 80,415,000	\$ 78,456,360	\$ 177,960,365	\$ 6,640,365
Accreted interest	4,143,122	293,930	2,238,640	2,198,412	2,299,615
Unamortized premium	17,074,722	3,873,141	3,518,952	17,428,911	1,430,155
Total - Bonds	<u>197,219,569</u>	<u>84,582,071</u>	<u>84,213,952</u>	<u>197,587,688</u>	<u>10,370,135</u>
Capital Leases	440,808	-	203,864	236,944	149,184
Other Postemployment Benefits	8,398,971	4,475,987	-	12,874,958	-
Compensated Absences	1,452,042	-	138,569	1,313,473	-
Totals	<u>\$ 207,511,390</u>	<u>\$ 89,058,058</u>	<u>\$ 84,556,385</u>	<u>\$ 212,013,063</u>	<u>\$ 10,519,319</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Capital leases payments are made by the General Fund and Child Development Fund. Compensated absences will be paid for by the fund for which the employee worked.

**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 \$80.0 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, 2013, 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, 2013, the only bonds outstanding from this authorization are the 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, 2013 are the 1998 Refunding Bonds Series A, the 2004 Refunding Bonds, the 2009 Refunding Bonds, and the 2012 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, 2013, the principal balance outstanding on the previously defeased debt amounted to \$46,060,000. Deferred charges on refunding of \$2,153,360 remain to be amortized.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

#### A. General Obligation Bonds (continued)

##### 2012 Series B Refunding General Obligation Bonds

On December 18, 2012, the District issued \$80,415,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2013 through August 1, 2030. The net proceeds of \$83,885,516 (after premiums of \$3,873,141 and issuance costs of \$402,625) were used to prepay portions of the District's outstanding General Obligation Bonds.

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 position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$8,082,828 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt amounted to \$77,395,000. The refunding decreased the District's total debt service payments by \$11,176,305. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds of \$8,794,521).

A summary of outstanding general obligation bonds issued and outstanding as of June 30, 2013 is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
1996F	7/2/1996	8/1/2013	4.2%-6.15%	\$ 32,389,981	\$ 1,243,657	\$ -	\$ 643,846	\$ 599,811
1998Ref.	9/15/1998	8/1/2013	3.4%-4.85%	34,519,976	658,068	-	337,514	320,554
2002A	5/21/2002	8/1/2012	3.0%-5.38%	85,000,000	1,000,000	-	1,000,000	-
2004Ref.	10/13/2004	9/1/2019	2.0%-4.0%	2,335,000	2,220,000	-	2,205,000	15,000
2002B	9/21/2005	8/1/2030	3.625%-5.0%	72,200,000	72,200,000	-	71,905,000	295,000
2009Ref.	12/22/2009	8/1/2020	2.0%-5.0%	40,740,000	37,470,000	-	1,840,000	35,630,000
2012Ref.	2/9/2012	8/1/2026	2.0%-5.0%	61,210,000	61,210,000	-	525,000	60,685,000
2012B Ref.	12/18/2012	8/1/2030	2.0%-5.0%	80,415,000	-	80,415,000	-	80,415,000
					<u>\$ 176,001,725</u>	<u>\$ 80,415,000</u>	<u>\$ 78,456,360</u>	<u>\$ 177,960,365</u>
<u>Accreted Interest:</u>								
				1996F	\$ 2,596,296	\$ 211,955	\$ 1,421,154	\$ 1,387,097
				1998R	1,546,826	81,975	817,486	811,315
					<u>\$ 4,143,122</u>	<u>\$ 293,930</u>	<u>\$ 2,238,640</u>	<u>\$ 2,198,412</u>

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2013

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#### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

##### A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 6,640,365	\$ 9,172,209	\$ 15,812,574
2014-15	5,160,000	6,755,194	11,915,194
2015-16	5,350,000	6,553,944	11,903,944
2016-17	5,440,000	6,308,997	11,748,997
2017-18	7,420,000	6,042,325	13,462,325
2018-23	44,205,000	23,924,500	68,129,500
2023-28	57,010,000	13,099,075	70,109,075
2028-31	46,735,000	2,151,075	48,886,075
Total	<u>\$ 177,960,365</u>	<u>\$ 74,007,319</u>	<u>\$ 251,967,684</u>

##### B. Capital Leases

The District leases certain equipment valued at \$740,128 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>
2013-14	\$ 166,089
2014-15	83,303
2015-16	8,910
Total	258,302
Less amount representing interest	<u>(21,358)</u>
Present value of net minimum lease payments	<u>\$ 236,944</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, 2013

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#### NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information as of June 30, 2012 is as follows:

	Northern California ReLiEF	ACSIG	Mission Valley ROP	State-Wide Educational Wrap-Up Program
Assets	\$ 64,352,057	\$ 34,358,137	\$ 11,016,501	\$ 21,461,534
Liabilities	34,304,678	45,578,070	430,562	16,566,848
Net Assets	<u>\$ 30,047,379</u>	<u>\$ (11,219,933)</u>	<u>\$ 10,585,939</u>	<u>\$ 4,894,686</u>
Revenues	\$ 16,404,547	\$ 132,053,622	\$ 7,344,574	\$ 9,654,070
Expenses	13,337,585	128,604,274	6,218,108	11,744,445
Operating Income	3,066,962	3,449,348	1,126,466	(2,090,375)
Non-Operating Income	552,286	297,320	17,027	308,932
Change in Net Assets	<u>\$ 3,619,248</u>	<u>\$ 3,746,668</u>	<u>\$ 1,143,493</u>	<u>\$ (1,781,443)</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, 2013, the District had commitments with respect to unfinished capital projects of approximately \$1.0 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, 2013.

#### 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, 2013, 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, 2013

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#### NOTE 10 - RISK MANAGEMENT (continued)

##### Workers' Compensation

For fiscal year 2012-13, 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, 2011 to June 30, 2013:

	Liability Claims
Liability Balance, July 1, 2011	\$ 143,752
Claims and changes in estimates	198,104
Claims payments	(154,337)
Liability Balance, July 1, 2012	187,519
Claims and changes in estimates	(33,570)
Claims payments	(28,948)
Liability Balance, June 30, 2013	\$ 125,001
Assets available to pay claims at June 30, 2013	\$ 178,075

#### 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, 2013

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### 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 2012-13 was 11.417%. 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 4,768,661	100%
2011-12	\$ 4,613,491	100%
2010-11	\$ 4,479,608	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](http://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 2012-13 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 11,739,765	100%
2011-12	\$ 11,254,876	100%
2010-11	\$ 10,620,096	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 \$6.1 million to STRS (4.267% of salaries subject to STRS in 2012-13).

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### 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 *	1,070
Active plan members *	2,519
Total	<u>3,589</u>

\* As of July 1, 2012 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 2012-13, the District contributed \$3,265,865.

#### 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 (ARC)	\$ 7,891,606
Interest on net OPEB obligation	335,959
Adjustment to ARC	<u>(485,713)</u>
Annual OPEB cost	7,741,852
Contributions made	<u>(3,265,865)</u>
Increase in net OPEB obligation	4,475,987
Net OPEB obligation - July 1, 2012	8,398,971
Net OPEB obligation - June 30, 2013	<u>\$ 12,874,958</u>

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2013

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#### 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 for 2012-13 and the three preceding years are as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 5,631,472	56%	\$ 6,503,243
2012	\$ 5,100,111	63%	\$ 8,398,971
2013	\$ 7,741,852	42%	\$ 12,874,958

##### Funded Status and Funding Progress - OPEB Plans

As of July 1, 2012, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$71.4 million and the unfunded actuarial accrued liability (UAAL) was \$71.4 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, 2012
Actuarial Cost Method	Projected unit credit
Amortization Method	30 years, level dollar, open period
Remaining Amortization Period	25 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4%
Healthcare cost trend rates:	
Dental	4%
Medical / Rx	5% - 8%

## FREMONT UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2013*

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#### **NOTE 13 – EMINENT DOMAIN LAND PURCHASE**

On May 8, 2013, the Board of Education exercised eminent domain to acquire real property for a future school site. The District made a \$2,540,000 deposit on the land on June 6, 2013, but has not yet acquired the title to the land. Consultation with the District's legal counsel has revealed that the current owners are disputing the fair market value of the property.

#### **NOTE 14 – FUTURE GASB PRONOUNCEMENTS**

The following statements issued by the Governmental Accounting Standards Board (GASB) will become effective in future years and are expected to have a significant impact on the District's financial reporting:

**A. Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)***

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

This Statement will become effective in 2013-14.

**B. Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2013*

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**NOTE 14 – FUTURE GASB PRONOUNCEMENTS (continued)**

**B. Statement No. 68 (continued)**

**Cost-Sharing Employers**

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement will become effective in 2014-15.

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***Required Supplementary Information***

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**FREMONT UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue Limit Sources	\$ 154,237,782	\$ 174,173,749	\$ 171,843,816	\$ (2,329,933)
Federal	9,721,988	13,217,676	12,012,315	(1,205,361)
Other State	49,083,289	55,467,115	55,819,113	351,998
Other Local	5,240,323	11,278,554	12,789,590	1,511,036
<b>Total Revenues</b>	<b>218,283,382</b>	<b>254,137,094</b>	<b>252,464,834</b>	<b>(1,672,260)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	134,762,315	143,872,463	143,874,405	(1,942)
Classified Salaries	39,587,434	41,014,188	41,014,187	1
Employee Benefits	31,471,711	32,867,588	32,829,860	37,728
Books and Supplies	8,989,356	15,654,720	9,214,153	6,440,567
Services and Other Operating Expenditures	19,801,864	28,687,016	23,776,350	4,910,666
Capital Outlay	219,990	746,300	684,068	62,232
Intergovernmental	3,752,393	4,664,385	4,636,712	27,673
Debt Service	116,458	263,381	261,527	1,854
<b>Total Expenditures</b>	<b>238,701,521</b>	<b>267,770,041</b>	<b>256,291,262</b>	<b>11,478,779</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,418,139)	(13,632,947)	(3,826,428)	9,806,519
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	638,236	638,236	636,705	(1,531)
<b>Total Other Financing Sources and Uses</b>	<b>638,236</b>	<b>638,236</b>	<b>636,705</b>	<b>(1,531)</b>
<b>Net Change in Fund Balance</b>	<b>(19,779,903)</b>	<b>(12,994,711)</b>	<b>(3,189,723)</b>	<b>9,804,988</b>
Fund Balances, July 1, 2012	36,061,588	36,061,588	36,061,588	-
<b>Fund Balances, June 30, 2013</b>	<b>\$ 16,281,685</b>	<b>\$ 23,066,877</b>	<b>\$ 32,871,865</b>	<b>\$ 9,804,988</b>

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, 2013*

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	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal	\$ 3,363,803	\$ 3,548,085	\$ 3,548,085	\$ -
Other State	8,907,546	9,688,286	9,688,286	-
Total Revenues	<u>12,271,349</u>	<u>13,236,371</u>	<u>13,236,371</u>	<u>-</u>
<b>Expenditures</b>				
Other Outgo	<u>12,271,349</u>	<u>13,236,371</u>	<u>13,236,371</u>	<u>-</u>
Total Expenditures	<u>12,271,349</u>	<u>13,236,371</u>	<u>13,236,371</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances, July 1, 2012	-	-	-	-
Fund Balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Funding Progress*  
*For the Fiscal Year Ended June 30, 2013*

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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%
July 1, 2012	\$ -	\$ 71,394,699	\$71,394,699	0.0%	\$188,958,649	37.78%

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013*

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**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, 2013, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules:

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Certificated salaries	\$ 1,942

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***Supplementary Information***

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## **FREMONT UNIFIED SCHOOL DISTRICT**

### *Local Educational Agency Organization Structure*

*June 30, 2013*

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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 Education and the District Administrators for the fiscal year ended June 30, 2013 were as follows.

#### **BOARD OF EDUCATION**

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<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Larry Sweeney	President	2014
Lara Calvert-York	Vice-President	2014
Desrie Campbell	Clerk	2016
Ann Crosbie	Member	2016
Lily Mei	Member	2016

#### **DISTRICT ADMINISTRATORS**

James Morris, Ed.D.,  
*Superintendent*

Raul Parungao  
*Assistant Superintendent, Business Services*

Robert Lee,  
*Assistant Superintendent, Human Resources*

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

**FREMONT UNIFIED SCHOOL DISTRICT**

*Combining Balance Sheet - Non-Major Governmental Funds*

*June 30, 2013*

	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	Total Non-Major Governmental Funds
<b>ASSETS</b>								
Cash	\$ 618,699	\$ 24,461	\$ 661,981	\$ 70,202	\$ 5,490,245	\$ 15,772	\$ 200,172	\$ 7,081,532
Accounts receivable	238,187	100,419	569,073	49	4,546	10	131	912,415
Due from other funds	154,294	86,007	5,651	-	-	-	-	245,952
Inventories	-	-	229,807	-	-	-	-	229,807
Prepaid expenditures	3,372	-	1,432	-	-	-	-	4,804
Total Assets	<u>\$ 1,014,552</u>	<u>\$ 210,887</u>	<u>\$ 1,467,944</u>	<u>\$ 70,251</u>	<u>\$ 5,494,791</u>	<u>\$ 15,782</u>	<u>\$ 200,303</u>	<u>\$ 8,474,510</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 84,287	\$ 47,018	\$ 183,204	\$ -	\$ 915,594	\$ -	\$ 196,729	\$ 1,426,832
Due to other funds	45,804	38,755	221,136	70,251	29,665	-	-	405,611
Total Liabilities	<u>130,091</u>	<u>85,773</u>	<u>404,340</u>	<u>70,251</u>	<u>945,259</u>	<u>-</u>	<u>196,729</u>	<u>1,832,443</u>
<b>Fund Balances</b>								
Nonspendable	3,372	-	231,239	-	-	-	-	234,611
Restricted	63,919	69,144	832,365	-	4,549,532	15,782	3,574	5,534,316
Assigned	817,170	55,970	-	-	-	-	-	873,140
Total Fund Balances	<u>884,461</u>	<u>125,114</u>	<u>1,063,604</u>	<u>-</u>	<u>4,549,532</u>	<u>15,782</u>	<u>3,574</u>	<u>6,642,067</u>
Total Liabilities and Fund Balances	<u>\$ 1,014,552</u>	<u>\$ 210,887</u>	<u>\$ 1,467,944</u>	<u>\$ 70,251</u>	<u>\$ 5,494,791</u>	<u>\$ 15,782</u>	<u>\$ 200,303</u>	<u>\$ 8,474,510</u>

**FREMONT UNIFIED SCHOOL DISTRICT**

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

*June 30, 2013*

<b>REVENUES</b>	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	Total Non-Major Governmental Funds
Revenue limit sources	\$ 1,435,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,435,438
Federal sources	-	-	2,988,884	-	-	-	-	2,988,884
Other state sources	173,849	742,063	198,979	-	-	-	-	1,114,891
Other local sources	7,209	287,796	2,920,682	745	1,714,704	41	765	4,931,942
<b>Total Revenues</b>	<b>1,616,496</b>	<b>1,029,859</b>	<b>6,108,545</b>	<b>745</b>	<b>1,714,704</b>	<b>41</b>	<b>765</b>	<b>10,471,155</b>
<b>EXPENDITURES</b>								
Current:								
Instruction	1,436,116	661,095	-	-	-	-	-	2,097,211
Supervision of instruction	12,949	335,376	-	-	-	-	-	348,325
Instructional library, media and technology	61,191	-	-	-	-	-	-	61,191
School site administration	136,979	-	-	-	-	-	-	136,979
Pupil Support Services:								
Food services	-	-	5,754,856	-	-	-	-	5,754,856
All other pupil services	18,281	-	-	-	-	-	-	18,281
General Administration Services:								
Data processing	2,600	-	-	-	-	-	-	2,600
Other general administration	71,632	-	-	-	345,208	-	-	416,840
Plant services	27,389	1,800	38,469	-	66,482	-	-	134,140
Transfers of indirect costs	-	37,879	220,963	-	-	-	-	258,842
Capital outlay	75,879	-	-	336,207	6,061,306	-	-	6,473,392
Intergovernmental	4,359	-	-	-	-	-	-	4,359
Debt Service:								
Principal	-	1,275	-	-	-	-	-	1,275
Interest	-	336	-	-	-	-	-	336
<b>Total Expenditures</b>	<b>1,847,375</b>	<b>1,037,761</b>	<b>6,014,288</b>	<b>336,207</b>	<b>6,472,996</b>	<b>-</b>	<b>-</b>	<b>15,708,627</b>
Net Change in Fund Balances	(230,879)	(7,902)	94,257	(335,462)	(4,758,292)	41	765	(5,237,472)
Fund Balances, July 1, 2012	1,115,340	133,016	969,347	335,462	9,307,824	15,741	2,809	11,879,539
Fund Balances, June 30, 2013	\$ 884,461	\$ 125,114	\$ 1,063,604	\$ -	\$ 4,549,532	\$ 15,782	\$ 3,574	\$ 6,642,067

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Combining Balance Sheet - General Fund*  
*June 30, 2013*

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund <sup>1</sup>
<b>ASSETS</b>				
Cash	\$ 26,328,783	\$ 1,605,941	\$ 3,014,681	\$ 30,949,405
Investments	1,361,672	-	-	1,361,672
Accounts receivable	24,869,438	2,168,000	1,996	27,039,434
Due from other funds	449,007	-	70,251	519,258
Inventories	296,726	-	-	296,726
Prepaid expenditures	216,667	1,030	-	217,697
Total Assets	<u>\$ 53,522,293</u>	<u>\$ 3,774,971</u>	<u>\$ 3,086,928</u>	<u>\$ 60,384,192</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 20,312,616	\$ 113,566	\$ 8,809	\$ 20,434,991
Deferred revenue	41,636	-	-	41,636
Due to other funds	296,176	113,647	-	409,823
Total Liabilities	<u>20,650,428</u>	<u>227,213</u>	<u>8,809</u>	<u>20,886,450</u>
<b>Fund Balances</b>				
Nonspendable	613,393	1,030	-	614,423
Restricted	8,456,149	56,231	-	8,512,380
Assigned	7,847,659	3,490,497	3,078,119	14,416,275
Unassigned	15,954,664	-	-	15,954,664
Total Fund Balances	<u>32,871,865</u>	<u>3,547,758</u>	<u>3,078,119</u>	<u>39,497,742</u>
Total Liabilities and Fund Balances	<u>\$ 53,522,293</u>	<u>\$ 3,774,971</u>	<u>\$ 3,086,928</u>	<u>\$ 60,384,192</u>

<sup>1</sup> 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, 2013*

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 171,843,816	\$ -	\$ -	\$ 171,843,816
Federal sources	12,012,315	458,340	-	12,470,655
Other state sources	55,819,113	3,043,973	1,019,229	59,882,315
Other local sources	12,789,590	581,582	7,402	13,378,574
	<u>252,464,834</u>	<u>4,083,895</u>	<u>1,026,631</u>	<u>257,575,360</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
Instruction	173,512,355	1,966,776	-	175,479,131
Supervision of instruction	9,134,475	24,945	-	9,159,420
Instructional library, media and technology	2,972,514	187,395	-	3,159,909
School site administration	17,362,623	933,676	-	18,296,299
Pupil Support Services:				
Home-to-school transportation	5,061,530	-	-	5,061,530
Food services	3,314	-	-	3,314
All other pupil services	7,702,920	-	-	7,702,920
General Administration Services:				
Data processing	2,138,048	-	-	2,138,048
Other general administration	8,455,377	-	-	8,455,377
Plant services	23,227,404	278,871	249,024	23,755,299
Ancillary services	1,127,674	-	-	1,127,674
Community services	511,506	-	-	511,506
Transfers of indirect costs	(372,489)	113,647	-	(258,842)
Capital outlay	528,948	-	740,268	1,269,216
Intergovernmental	4,636,712	-	-	4,636,712
Debt service:				
Principal	202,589	-	-	202,589
Interest	85,762	-	-	85,762
	<u>256,291,262</u>	<u>3,505,310</u>	<u>989,292</u>	<u>260,785,864</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,826,428)</u>	<u>578,585</u>	<u>37,339</u>	<u>(3,210,504)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	636,705	-	-	636,705
Total Other Financing Sources and Uses	<u>636,705</u>	<u>-</u>	<u>-</u>	<u>636,705</u>
Net Change in Fund Balances	(3,189,723)	578,585	37,339	(2,573,799)
Fund Balances, July 1, 2012	<u>36,061,588</u>	<u>2,969,173</u>	<u>3,040,780</u>	<u>42,071,541</u>
Fund Balances, June 30, 2013	<u>\$ 32,871,865</u>	<u>\$ 3,547,758</u>	<u>\$ 3,078,119</u>	<u>\$ 39,497,742</u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2013*

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	Second Period Report (Certificate No. <u>54B13553</u> )	Annual Report (Certificate No. <u>471C6BD6</u> )
<b>Elementary:</b>		
Kindergarten	2,545	2,542
Grades 1 through 3	7,671	7,666
Grades 4 through 6	7,140	7,136
Grades 7 and 8	4,473	4,473
Home and hospital	7	8
Special education	738	739
Extended year program	<u>61</u>	<u>61</u>
Total Elementary	<u>22,635</u>	<u>22,625</u>
<b>Secondary:</b>		
Grades 9 through 12, regular classes	8,962	8,918
Continuation education	213	205
Home and hospital	26	26
Special education	396	391
Extended year program	<u>19</u>	<u>19</u>
Total Secondary	<u>9,616</u>	<u>9,559</u>
<b>Charter School:</b>		
Non-classroom based	<u>250</u>	<u>248</u>
Total Charter School	<u>250</u>	<u>248</u>
Total Average Daily Attendance	<u><u>32,501</u></u>	<u><u>32,432</u></u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2013*

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Grade Level	1982-83 Minutes		1986-87 Minutes		2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
	Actual	Reduced*	Previously Required	Reduced*			
Kindergarten	31,500	30,625	36,000	35,000	36,000	180	Complied
Grade 1	42,000	40,833	50,400	49,000	51,300	180	Complied
Grade 2	42,000	40,833	50,400	49,000	51,300	180	Complied
Grade 3	42,000	40,833	50,400	49,000	51,300	180	Complied
Grade 4	52,500	51,042	54,000	52,500	54,000	180	Complied
Grade 5	52,500	51,042	54,000	52,500	54,000	180	Complied
Grade 6	52,500	51,042	54,000	52,500	54,000	180	Complied
Grade 7	56,535	54,965	54,000	52,500	57,600	180	Complied
Grade 8	56,535	54,965	54,000	52,500	57,600	180	Complied
Grade 9	49,000	47,639	64,800	63,000	64,800	180	Complied
Grade 10	49,000	47,639	64,800	63,000	64,800	180	Complied
Grade 11	49,000	47,639	64,800	63,000	64,800	180	Complied
Grade 12	49,000	47,639	64,800	63,000	64,800	180	Complied

\* Amounts reduced as permitted by Education Code Section 46201.2(a).

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

General Fund	(Budget) 2014 <sup>3</sup>	2013 <sup>4</sup>	2012	2011
Revenues and other financing sources	\$ 252,313,937	\$ 253,101,539	\$ 251,454,521	\$ 264,123,029
Expenditures	255,602,012	256,291,262	254,787,298	251,377,799
Other uses and transfers out	-	-	-	4,291,379
Total outgo	255,602,012	256,291,262	254,787,298	255,669,178
Change in fund balance (deficit)	(3,288,075)	(3,189,723)	(3,332,777)	8,453,851
Ending fund balance	\$ 29,583,790	\$ 32,871,865	\$ 36,061,588	\$ 39,394,365
Available reserves <sup>1</sup>	\$ 13,863,207	\$ 15,954,664	\$ 25,831,002	\$ 21,726,465
Available reserves as a percentage of total outgo	5.4%	6.2%	10.1%	8.5%
Total long-term debt	\$ 201,594,947	\$ 212,013,063	\$ 207,511,390	\$ 210,585,724
Average daily attendance at P-2 <sup>2</sup>	32,604	32,251	31,621	31,396

The General Fund balance has decreased by approximately \$6.5 million over the past two years. The fiscal year 2013-14 adopted budget projects a decrease of approximately \$3.3 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 2013-14 fiscal year. Long-term debt has increased by over \$1.4 million over the past two years.

Average daily attendance has increased by 855 over the past two years. An increase of 353 ADA is anticipated during fiscal year 2013-14.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Excludes Adult Education and Charter School ADA.

<sup>3</sup> Revised Budget September, 2013

<sup>4</sup> 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, 2013*

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 - Especially Needy	10.553	13526	\$ 313,228	
National School Lunch Program	10.555	13523	2,348,927	
USDA Donated Foods	10.555	N/A	326,729	
Subtotal Child Nutrition Cluster				\$ 2,988,884
Total U.S. Department of Agriculture				2,988,884
U.S. Department of Education:				
Indian Education				
	84.060	1011		46,176
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster				
Adult Basic Education & ESL	84.002A	14508	250,764	
State Leadership Projects	84.002	13970	9,810	
Adult Secondary Education	84.002	13978	35,675	
English Literacy & Civics Education Local Grant	84.002A	14109	162,091	
Subtotal Adult Basic Education Cluster				458,340
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected Migrant Education Cluster				
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	52,461	
Title I, Migrant Ed, Summer Program	84.011	10005	23,963	
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	30,000	
Subtotal Migrant Education Cluster				106,424
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330B	14831		2,710
Title II, Part A, Teacher Quality Local	84.367	14341		1,112,202
Title II, Part D, Enhancing Education Through Technology	84.318	14334		10,034
Title III, Limited English Proficiency	84.365	14346		546,032
Carl Perkins Act - Secondary	84.048	14894		162,052
Smaller Learning Communities	84.215L	14362		46,560
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Local Assistance Entitlement	84.027	13379	8,309,917	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	657,431	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	106,315	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	347,995	
Preschool Local Entitlement, Part B	84.173A	13682	593,173	
Preschool Staff Development	84.173A	13431	2,361	
Subtotal Special Education (IDEA) Cluster				10,017,192
IDEA Early Intervention Grants, Part C	84.181	23761		211,330
Workability II, Transition	84.158	10006		301,868
Total U.S. Department of Education				15,973,361
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	85,052	
Medi-Cal Administrative Activities (MAA)	N/A	10060	204,666	
Subtotal Medicaid Cluster				289,718
Total U.S. Department of Health & Human Services				289,718
Total Expenditures of Federal Awards				\$ 19,251,963

**FREMONT UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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*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, 2013*

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<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, 2013

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## 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 Section 46201.2(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	\$ 1,943,959	\$ 984,765	\$ 2,928,724
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	21,996	25,662	47,658
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	75,125	46,231	121,356
Preschool Local Entitlement, Part B	84.173A	128,233	78,913	207,146
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	160,240	82,066	242,306
Preschool Staff Development	8.173A	554	341	895
		<u>\$ 2,330,107</u>	<u>\$ 1,217,978</u>	<u>\$ 3,548,085</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.

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***Other Independent Auditors' Reports***

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**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 Education  
Fremont Unified School District  
Fremont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Fremont Unified School District's basic financial statements, and have issued our report thereon dated December 6, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**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 an instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-1.

**Fremont Unified School District's Response to Finding**

Fremont Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Fremont Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, slightly slanted style.

December 6, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE**

Board of Education  
Fremont Unified School District  
Fremont, California

**Report on Compliance for Each Major Federal Program**

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, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Fremont Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Fremont Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Fremont Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Fremont Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

December 6, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Fremont Unified School District
Fremont, California

Report on Compliance for State Programs

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 2012-13, published by the Education Audit Appeals Panel, for the year ended June 30, 2013. Fremont Unified School District's state programs are identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont Unified School District's State programs based on our audit of the types of compliance requirements referred to below. 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 2012-13. 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 on compliance for each State program. However, our audit does not provide a legal determination of Fremont Unified School District's compliance.

Table with 3 columns: Description, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time (School Districts, County Offices of Education), Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, and Early Retirement Incentive.

Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
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
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	1	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

***Opinion on Compliance with State Programs***

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, 2013. 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 2012-13*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-1.

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*. Accordingly, this report is not suitable for any other purpose.

*Nigro+Nigro, PC*

December 6, 2013

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***Findings and Questioned Costs***

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**FREMONT UNIFIED SCHOOL DISTRICT**  
*Summary of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2013*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</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>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.010</u> <u>Title I, Part A, Basic Grants</u>	
<u>10.553 &amp; 10.555</u> <u>Child Nutrition Cluster</u>	

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 577,559</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>Unmodified</u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2013*

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**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

***There were no financial statement findings in 2012-13.***

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2013*

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**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).

*There were no federal award findings or questioned costs in 2012-13.*

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2013*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

**Finding 2013-1: SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

**Criteria:** The information on the School Accountability Report Card (SARC) should be reported consistent with the Facility Inspection Tool for that school as required by the provisions of Education Code Section 33126.

**Condition:** The District reported information on the SARC that was inconsistent with the Facilities Inspection Tool (FIT) for five of the ten schools selected. The following schools reported inconsistent information:

<u>School Site</u>	<u>Category</u>	<u>SARC</u>	<u>FIT</u>
Warm Springs Elementary	External	Fair	Good
Irvington High	Interior	Poor	Good
Irvington High	Electrical	Fair	Good
Chadbourne Elementary	External	Fair	Good
Niles Elementary	Systems	Fair	Good
Niles Elementary	Structural	Good	Fair
Niles Elementary	External	Fair	Poor
Hopkins Junior High	Restrooms	Fair	Good

**Questioned Cost:** There is no questioned cost, as the District receives no funding from this program.

**Cause:** The individuals completing the facility inspections are not completing the summary page, which calculates the rating for each category. The person completing the SARC was estimating the rating based on the inspection.

**Effect:** Information regarding the condition of several sites for the 2011-12 school year was incorrectly reported on the SARCs published during the 2012-13 school year, pursuant to Education Code Section 33126.

**Recommendation:** We recommend that the District personnel implement a procedure to complete the summary page of the FIT form to ensure the facilities inspections are consistent with the information reported.

**District Response:** The District staff met and will complete the Facility Inspection Tool (FIT) including the summary form. This information will then be reported on the School Accountability Report Card (SARC) as required by the provisions of Education Code Section 33126.

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2013*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2012-1: Uniform Construction Cost Accounting</i>	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.	30000	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.	Implemented.
<i>Finding 2012-2: Cash Management</i>	OMB Circular A-102, <i>the Common Rule</i> , 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.  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.	50000	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.	Implemented.
<i>Finding 2012-3: Instructional Materials Hearing</i>	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.  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.	70000	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.	Implemented.

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To the Board of Education  
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, 2013, 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 6, 2013, on the financial statements of Fremont Unified School District.

## EXPENDITURES

**Observation:** During our review of District disbursements, we noted nine instances in our sample of 70 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 District's controls over journal entries, we noted that entries made by the Director of Accounting are reviewed by a subordinate employee who reports to the Director of Accounting. This creates an opportunity for management override of controls as an employee may not report questionable entries posted by their supervisor.

**Recommendation:** We recommend that all entries posted by the Director of Accounting be reviewed by someone in an equivalent position or higher. The Director of Budgeting should review and approve all entries to the financial system created by the Director of Accounting.

## ASSOCIATED STUDENT BODY (ASB) FUNDS

**Observation:** In our test of cash disbursements at American High, we noted that six of the 25 disbursements selected in our sample were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred.

**Recommendation:** As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

## **ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)**

**Observation:** During our test of cash disbursements at the school sites, we noted many disbursements tested lacked evidence of receipt of goods or services. This weakness in controls could potentially result in payments made to vendors prematurely.

**Recommendation:** We recommend that the site document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.

**Observation:** In our testing of cash receipts at the school sites, we found that some of the cash collections tested lacked sufficient supporting documentation. Without adequate supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

**Recommendation:** Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

**Observation:** During our testing of cash disbursements at Mission San Jose High, our sample included two disbursements that appear to be questionable ASB expenses. Both expenses were for reimbursements that lacked itemized receipts. Upon further research, we noted 43 similar reimbursements to the Athletics Director, totaling more than \$19,000. Without appropriate supporting documentation we are unable to ascertain whether or not these reimbursements represent valid ASB expenses.

**Recommendation:** We recommend that the ASB minimize the number of reimbursements to employees by running all planned expenses through the formal purchasing process. Further, we recommend that the site discontinue issuing such payments from ASB funds without itemized original receipts and pre-approval from the student council. Lastly, we strongly recommend that the District further investigate the cause behind the large number of reimbursed items to the Athletics Director.

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

*Nigro+Nigro, PC*

December 6, 2013