

**FREMONT UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2014**



FREMONT UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2014

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Fremont Unified School District
Fremont, California

Report on the Financial Statements

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, 2014, 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 2013-14*. 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, 2014, 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.

Emphasis of Matter

As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities". The adoption of this standard required retrospective application resulting in a \$1,276,256 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

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 42 and 43, and schedule of funding progress on page 44 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.

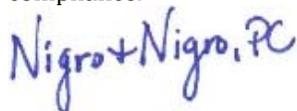
Other Information

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 12, 2014 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.



Murrieta, California
December 12, 2014

FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2014

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, 2014. 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 \$1.3 million, or 0.7%.
- Governmental expenses were about \$313.6 million. Revenues were about \$312.3 million.
- The District spent over \$4.7 million in new capital assets during the year. These expenditures were incurred primarily from capital project funds.
- The District decreased its outstanding long-term debt by \$6.1 million. This was primarily due to principal payments on general obligation bonds offset by the increase in the net OPEB liability.
- Grades K-12 average daily attendance (ADA) increased by 474, or 1.5%.

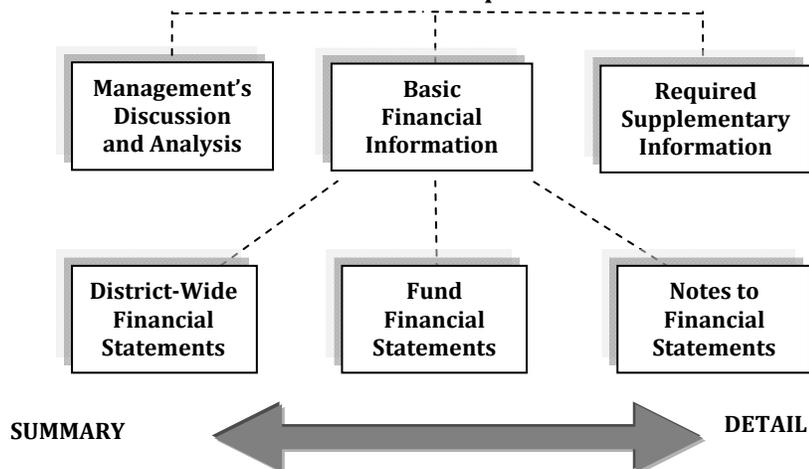
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<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

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

FREMONT UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics 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 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 it 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.
- 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.

FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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, 2014, than it was the year before – decreasing 0.7% to \$188.5 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase
	2014	2013*	(Decrease)
Current assets	\$ 100.4	\$ 113.2	\$ (12.8)
Capital assets	305.9	309.6	(3.7)
Total assets	406.3	422.8	(16.5)
Total deferred outflows	9.6	10.2	(0.6)
Current liabilities	21.5	31.1	(9.6)
Long-term liabilities	205.9	212.0	(6.1)
Total liabilities	227.4	243.1	(15.7)
Net position			
Net investment in capital assets	118.5	112.6	5.9
Restricted	49.9	51.3	(1.4)
Unrestricted	20.1	25.9	(5.8)
Total net position	\$ 188.5	\$ 189.8	\$ (1.3)

*As restated

Changes in net position, governmental activities. The District's total revenues increased 4.8% to \$312.3 million (See Table A-2). The increase is due primarily to an increase in money received from local control funding formula sources.

The total cost of all programs and services increased 3.7% to \$313.6 million. The District's expenses are predominantly related to educating students, 79.6%. The administrative activities of the District accounted for 4.4% of total costs. A significant contributor to the increase in costs was increases in salaries and benefits.

Table A-2

	Governmental Activities (In millions)		Variance Increase
	2014	2013	(Decrease)
Total Revenues	\$ 312.3	\$ 297.3	\$ 15.0
Total Expenses	313.6	302.5	11.1
Increase (decrease) in net position	\$ (1.3)	\$ (5.2)	\$ 3.9

FREMONT UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014*

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 \$81.7 million, which is below last year's ending fund balance of \$83.4 million. The primary causes of the decreased fund balance are increased costs in salaries and benefits, one time expenditure for common core state standards, and increased deficit in special education programs.

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
 - Local Control Funding Formula (LCFF) replaced the previous funding formula known as revenue limit. LCFF also replaced many restricted funding sources known as categorical funds.
 - One time entitlement for common core state standards.
 - 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 about \$3.5 million, the actual results for the year show that revenues exceeded expenditures by roughly \$2.1 million. Actual revenues were \$0.8 million less than anticipated, and expenditures were \$6.4 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013-14 the District had invested \$4.7 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 was \$10.9 million.

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

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2014	2013*	
Land	\$ 12.8	\$ 9.5	\$ 3.3
Improvement of sites	20.0	21.5	(1.5)
Buildings	268.5	275.8	(7.3)
Equipment	1.8	1.2	0.6
Construction in progress	2.8	1.6	1.2
Total	<u>\$ 305.9</u>	<u>\$ 309.6</u>	<u>\$ (3.7)</u>

*As restated

FREMONT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$205.9 million in general obligation bonds, capital leases, and employment benefits – a decrease of 2.9% 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		Variance
	(In millions)		Increase
	2014	2013	(Decrease)
General obligation bonds	\$ 187.3	\$ 197.6	\$ (10.3)
Compensated absences	1.3	1.3	-
Capital leases	0.1	0.2	(0.1)
Other postemployment benefits	17.2	12.9	4.3
Total	\$ 205.9	\$ 212.0	\$ (6.1)

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 2014-15 budget that was adopted in June 2014.

The following assumptions were used in projecting revenues:

- The enrollment for 2014-15 is projected at 33,973 students, which represents an increase of 311 students from 2013-14.
- Average Daily Attendance (ADA) is projected at 33,005, which represents a 97.15% attendance rate.
- The Cost of Living Adjustment (COLA) is projected at 0.85%.
- The Local Control Funding Formula (LCFF) is calculated using 28.05% in LCFF gap funding.
- The unduplicated count of students who are eligible for Free or Reduced Price Meals, English Language Learners, or Foster Youth is projected at 31.4% of the District's enrollment.
- 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. There is no projected revenue from this program in 2014-15, due to uncertainties in the availability of funds from the federal agency. The federal agency has not committed to release this funding due to the pending documents that the federal agency needs from the State.
- Federal revenues are estimated to remain the same as the prior year.
- The Mandated Cost Block grant, which started in 2012-13, provided \$28 per student for grades K-8 and \$56 per student for grades 9-12. The estimated Mandated Cost Block grant for 2014-15 is \$1.2 million.
- Lottery funds are estimated at \$156 per student, which is made up of \$126 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.
- Special Education funding under Assembly Bill (AB) 602 is projected with COLA of 0.85%.

FREMONT UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2014

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

- Most of the State categorical funds have been included in the LCFF, such as Economic Impact Aid (EIA), Schools and Libraries Improvement Block Grant (SLIBG), Transportation, Adult Education, and Regional Occupational Program (ROP).
- Local categorical program revenues are budgeted based on the funding commitment from the donors.
- Proceeds from the parcel tax are estimated at \$3.1 million.
- Carryover of any unspent prior year funds for Federal, State, and Local categorical programs will be budgeted after the close of the books for 2013-14.

The following assumptions were used in projecting expenditures:

- Classroom staffing is estimated using the following class sizes and ratio:
 - Grade TK-K 24:1
 - Grades 1-3 28:1
 - Grades 4-6 30:1
 - Grades 7-12 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 April 15, 2014, the Fremont Unified District Teachers Association (FUDTA) and the District reached an agreement in their contract negotiation. FUDTA and the Governing Board ratified the agreement. Certificated salary expenditures for 2014-15 include salary increase for all FUDTA members averaging 5.9%.
- The letter of conferment with Fremont School Management Association (FSMA) was presented to the Governing Board and approved on May 2, 2014. This letter provided salary increase of 5.9% to all FSMA members effective July 1, 2014. The costs associated with this increase are included in the 2014-15 budget.
- The California School Employees Association (CSEA) and Service Employees International Union (SEIU) have reached a tentative agreement in its bargaining with the District. Both CSEA and SEIU members have ratified the tentative agreements. The Governing Board is scheduled to ratify them on June 25, 2014. The estimated cost of these agreements is \$2,808,400 (CSEA - \$1,882,100 and SEIU - \$926,300). These costs are not included in the 2014-15 budget, but were set aside from the estimated ending fund balance before the reserve was calculated.
- On April 9, 2014, the Governing Board approved to hire new positions as follows:
 - 3.0 FTE Secretary
 - 1.0 FTE Budget Analyst
 - 1.0 FTE Accounting Technician II
 - 5.0 FTE Lead Information Technology Support Specialist
 - 7.0 FTE Information Technology Support Specialist
 - 2.0 FTE Electronic Technician
 - 1.0 FTE Data Specialist
 - 1.0 FTE Webmaster
 - 4.0 FTE Mobile Maintenance Technician
 - 2.0 FTE Painter
 - 2.0 FTE Heating, Ventilation and Air Conditioning Technician
 - 1.0 FTE Night Custodian Supervisor
 - 2.0 FTE Night Custodial Crew
 - 7.0 FTE Gardener
 - 24.63 FTE Custodian

FREMONT UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2014

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

- 1.0 FTE Personnel Assistant I
- 1.0 FTE Teacher on Assignment for California English Language Development Test (CELDT)
- 0.3 FTE Office Assistant
- 1.0 FTE Director of Curriculum and Instruction
- 2.0 FTE English Language Arts (ELA) and Math Coach
- 1.0 FTE Energy Conservation Supervisor
- 1.0 FTE Child Nutrition Supervisor
- 2.0 FTE Language Assessment Technician
- 1.0 FTE Public Information Officer

The costs of these positions are included in the 2014-15 budget. You may find the details of the Governing Board approval in item 12.3 of the April 9, 2014 and item 14.5 of the May 7, 2014 board meetings.

- The employee benefits expenditures include the proposed increase in contribution to the State Retirement System (STRS). The Governor proposed to increase the School District contribution from 8.25% to 9.5% of the certificated employee's gross payroll.
- The potential impact (\$1.25 million) of the Affordable Care Act (ACA) is not included in the 2014-15 budget, but it was set aside from the estimated ending fund balance before the reserve is calculated.
- The following statutory employee benefits are used in calculating labor costs:
 - State Teachers Retirement System (STRS) 9.50%
 - Public Employee Retirement System (PERS) 11.771%
 - Federal Insurance Contribution Act (FICA) 6.20%
 - Medicare 1.45%
 - State Unemployment Insurance (SUI) 0.05%
 - Worker's Compensation (WC) 2.60%
 - Other Post-Employment Benefit (OPEB) 1.63%
- 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 programs is estimated at \$21.5 million. An additional contribution is estimated at \$7.7 million due to reclassification of Special Education revenues to Local Control Funding Formula (LCFF).
- 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 Board Member election is estimated at \$200,000.
- The District's approved indirect cost rate for 2014-15 is 4.07%.

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, 2014*

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 63,577,884
Investments	1,365,034
Accounts receivable	34,624,681
Inventories	421,218
Prepaid expenses	422,252
Total current assets	<u>100,411,069</u>
Capital assets:	
Non-depreciable capital assets	15,548,443
Depreciable capital assets	472,171,022
Less accumulated depreciation	<u>(181,815,785)</u>
Total capital assets, net of depreciation	<u>305,903,680</u>
Total assets	<u>406,314,749</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>9,620,500</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	21,357,144
Unearned revenue	142,402
Total current liabilities	<u>21,499,546</u>
Long-term liabilities:	
Due or payable within one year	6,669,471
Due or payable after one year	199,248,625
Total long-term liabilities	<u>205,918,096</u>
Total liabilities	<u>227,417,642</u>
 NET POSITION	
Net investment in capital assets	118,497,164
Restricted for:	
Capital projects	28,378,662
Debt service	8,822,876
Categorical programs	12,680,060
Unrestricted	<u>20,138,845</u>
Total net position	<u>\$ 188,517,607</u>

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instructional Services:					
Instruction	\$ 194,255,461	\$ 370,248	\$ 34,540,468	\$ 476	\$ (159,344,269)
Instruction-Related Services:					
Supervision of instruction	10,709,178	39,839	4,643,846	-	(6,025,493)
Instructional library, media and technology	3,726,487	1,257	164,517	-	(3,560,713)
School site administration	19,904,532	10,347	413,609	-	(19,480,576)
Pupil Support Services:					
Home-to-school transportation	5,720,814	41,690	1,773,138	-	(3,905,986)
Food services	6,419,397	2,612,473	3,532,870	-	(274,054)
All other pupil services	8,887,930	12,516	1,324,030	-	(7,551,384)
General Administration Services:					
Data processing services	2,399,033	1,273	20,555	-	(2,377,205)
Other general administration	11,385,088	150,762	1,909,737	-	(9,324,589)
Plant services	25,832,415	21,140	1,463,133	-	(24,348,142)
Ancillary services	1,241,020	3,213	362,485	-	(875,322)
Community services	519,901	35	562	-	(519,304)
Enterprise activities	4,353	-	-	-	(4,353)
Transfers between agencies	17,648,243	-	-	-	(17,648,243)
Other outgo	4,973,026	312,298	11,945,141	-	7,284,413
Total Governmental Activities	\$ 313,626,878	\$ 3,577,091	\$ 62,094,091	\$ 476	(247,955,220)

General Revenues:

Property taxes	98,346,482
Federal and state aid not restricted to specific purpose	141,187,722
Interest and investment earnings	215,971
Interagency revenues	432,182
Miscellaneous	6,445,679
Total general revenues	246,628,036
Change in net position	(1,327,184)
Net position - July 1, 2013, as originally stated	205,021,126
Adjustments for restatements, Note 14	(15,176,335)
Net position - July 1, 2013, as restated	189,844,791
Net position - June 30, 2014	\$ 188,517,607

FREMONT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 24,824,518	\$ -	\$ 24,903,491	\$ 13,797,761	\$ 63,525,770
Investments	1,365,034	-	-	-	1,365,034
Accounts receivable	30,486,122	3,413,274	19,804	705,433	34,624,633
Due from other funds	151,855	-	-	289,540	441,395
Inventories	270,857	-	-	150,361	421,218
Prepaid expenditures	417,542	-	-	4,711	422,253
Total Assets	<u>\$ 57,515,928</u>	<u>\$ 3,413,274</u>	<u>\$ 24,923,295</u>	<u>\$ 14,947,806</u>	<u>\$ 100,800,303</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,328,058	\$ 3,413,274	\$ -	\$ 505,818	\$ 18,247,150
Due to other funds	534,920	-	26,196	125,659	686,775
Unearned revenue	140,263	-	2,139	-	142,402
Total Liabilities	<u>15,003,241</u>	<u>3,413,274</u>	<u>28,335</u>	<u>631,477</u>	<u>19,076,327</u>
Fund Balances					
Nonspendable	788,398	-	-	155,071	943,469
Restricted	11,575,231	-	24,894,960	13,411,407	49,881,598
Assigned	12,966,863	-	-	749,851	13,716,714
Unassigned	17,182,195	-	-	-	17,182,195
Total Fund Balances	<u>42,512,687</u>	<u>-</u>	<u>24,894,960</u>	<u>14,316,329</u>	<u>81,723,976</u>
Total Liabilities and Fund Balances	<u>\$ 57,515,928</u>	<u>\$ 3,413,274</u>	<u>\$ 24,923,295</u>	<u>\$ 14,947,806</u>	<u>\$ 100,800,303</u>

FREMONT UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2014

Total fund balances - governmental funds			\$ 81,723,976
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 \$487,719,465, and the accumulated depreciation is \$(181,815,785).			305,903,680
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:			(17,169,224)
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 unmaturred interest owing at the end of the period was:			(2,815,748)
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 a deferred outflow of resources. The remaining deferred charges on refunding at the end of the period were:			9,620,500
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	187,318,756	
	Compensated absences payable	1,342,356	
	Capital leases payable	87,760	(188,748,872)
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:			3,295
Total net position - governmental activities			<u>\$ 188,517,607</u>

FREMONT UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2014*

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 216,088,690	\$ -	\$ -	\$ 1,476,124	\$ 217,564,814
Federal sources	11,011,788	3,290,906	-	3,304,851	17,607,545
Other state sources	34,628,240	9,660,116	-	1,082,553	45,370,909
Other local sources	13,213,930	-	1,173,670	17,368,828	31,756,428
Total Revenues	<u>274,942,648</u>	<u>12,951,022</u>	<u>1,173,670</u>	<u>23,232,356</u>	<u>312,299,696</u>
EXPENDITURES					
Current:					
Instruction	181,966,680	-	-	1,906,040	183,872,720
Instruction-related services:					
Supervision of instruction	9,836,369	-	-	375,753	10,212,122
Instructional library, media and technology	3,445,034	-	-	70,539	3,515,573
School site administration	18,566,826	-	-	210,989	18,777,815
Pupil support services:					
Home-to-school transportation	6,449,579	-	-	-	6,449,579
Food services	11,544	-	-	6,097,193	6,108,737
All other pupil services	8,419,287	-	-	15,737	8,435,024
Ancillary services	1,170,459	-	-	-	1,170,459
Community services	488,006	-	-	-	488,006
General administration services:					
Data processing services	2,313,554	-	-	-	2,313,554
Other general administration	10,268,087	12,951,022	-	630,294	23,849,403
Plant services	24,408,041	-	16,901	296,355	24,721,297
Transfers of indirect costs	(326,366)	-	-	326,366	-
Capital outlay	785,985	-	6,991	2,732,661	3,525,637
Intergovernmental transfers	4,697,221	-	-	-	4,697,221
Debt service:					
Principal	36,338	-	-	6,640,385	6,676,723
Interest	2,985	-	-	9,117,503	9,120,488
Total Expenditures	<u>272,539,629</u>	<u>12,951,022</u>	<u>23,892</u>	<u>28,419,815</u>	<u>313,934,358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,403,019</u>	<u>-</u>	<u>1,149,778</u>	<u>(5,187,459)</u>	<u>(1,634,662)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	655,326	-	-	43,400	698,726
Interfund transfers out	(43,400)	-	(655,326)	-	(698,726)
Total Other Financing Sources and Uses	<u>611,926</u>	<u>-</u>	<u>(655,326)</u>	<u>43,400</u>	<u>-</u>
Net Change in Fund Balances	3,014,945	-	494,452	(5,144,059)	(1,634,662)
Fund Balances, July 1, 2013	39,497,742	-	24,400,508	19,460,388	83,358,638
Fund Balances, June 30, 2014	<u>\$ 42,512,687</u>	<u>\$ -</u>	<u>\$ 24,894,960</u>	<u>\$ 14,316,329</u>	<u>\$ 81,723,976</u>

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, 2014*

Total net change in fund balances - governmental funds \$ (1,634,662)

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	4,729,810	
Depreciation expense	<u>(10,919,014)</u>	
Net:		(6,189,204)

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: 6,789,549

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: (4,294,266)

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: 1,021,756

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: 2,198,412

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the refunded debt. Amortization of the premium for the period is: 1,430,155

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: (615,688)

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 earned exceeded the amounts paid by: (28,883)

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 decrease in the internal service fund was: (4,353)

Change in net position of governmental activities \$ (1,327,184)

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2014

	Governmental Activities <u>Internal Service Fund</u>
ASSETS	
Cash	\$ 52,114
Due from other funds	245,380
Accounts receivable	<u>48</u>
Total assets	<u>297,542</u>
LIABILITIES	
Accounts payable	11,344
Claims liabilities	<u>282,903</u>
Total liabilities	<u>294,247</u>
NET POSITION	
Restricted for insurance claims	<u><u>\$ 3,295</u></u>

FREMONT UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2014*

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Charges to other funds	\$ 245,000
Other revenues	<u>673</u>
Total operating revenues	245,673
OPERATING EXPENSES	
Services and other operating expenditures	<u>250,321</u>
Operating Income (Loss)	(4,648)
NON-OPERATING REVENUES	
Interest income	<u>295</u>
Change in net position	(4,353)
Net position, July 1, 2013	<u>7,648</u>
Net position, June 30, 2014	<u><u>\$ 3,295</u></u>

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 49,620
Cash received from other local sources	673
Cash payments for payroll, insurance and operating costs	<u>(126,501)</u>
Net cash used by operating activities	(76,208)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>344</u>
Net decrease in cash	(75,864)
Cash, July 1, 2013	<u>127,978</u>
Cash, June 30, 2014	<u><u>\$ 52,114</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (4,648)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivables and amounts due from other funds	(195,380)
Increase in accounts payable and current liabilities	<u>123,820</u>
Net cash used by operating activities	<u><u>\$ (76,208)</u></u>

FREMONT UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2014

	Agency Funds
	<u>Student Body Funds</u>
Assets	
Cash	\$ 1,865,579
Inventory	<u>20,953</u>
Total Assets	<u><u>\$ 1,886,532</u></u>
Liabilities	
Due to student groups	<u>\$ 1,886,532</u>
Total Liabilities	<u><u>\$ 1,886,532</u></u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District has no component units that meet the criteria of GASB Statement No. 14 to be included in the financial statements of the District.

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

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

General Fund (continued): of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

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

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

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

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

Capital Projects Funds:

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

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

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

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

Debt Service Fund:

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.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets and Budgetary Accounting

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

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

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, Deferred Outflows of Resources, Liabilities, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents 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.

2. 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.

3. 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

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

4. 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.

5. 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.

6. 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.

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.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. This item is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources 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.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncements

During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

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.

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by \$1,276,256, which is the amount of unamortized debt issuance costs at July 1, 2013.

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.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 2 – CASH AND INVESTMENTS

Cash at June 30, 2014 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	\$ 62,643,953	\$ 52,114	\$ 62,696,067	\$ -
Total Pooled Funds	62,643,953	52,114	62,696,067	-
Deposits:				
Cash on hand and in banks	781,817	-	781,817	1,865,579
Cash in revolving fund	100,000	-	100,000	-
Total Deposits	881,817	-	881,817	1,865,579
Total Cash	\$ 63,525,770	\$ 52,114	\$ 63,577,884	\$ 1,865,579
Investments:				
Local Agency Investment Fund	\$ 1,365,034	\$ -	\$ 1,365,034	

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, 2014, 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, 2014

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, 2014, \$2,527,133 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, 2014, 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, 2014, 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, 2014 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:						
Categorical aid programs	\$ 3,501,778	\$ 1,338,243	\$ -	\$ 437,558	\$ 5,277,579	\$ -
State Government:						
LCFF	17,352,240	-	-	109,927	17,462,167	-
Lottery	2,887,839	-	-	17,309	2,905,148	-
Special education	4,328,652	2,075,031	-	-	6,403,683	-
Other state programs	1,129,406	-	-	80,755	1,210,161	-
Local:						
Interest	33,146	-	19,804	11,177	64,127	48
Miscellaneous	1,253,061	-	-	48,707	1,301,768	-
Total	<u>\$ 30,486,122</u>	<u>\$ 3,413,274</u>	<u>\$ 19,804</u>	<u>\$ 705,433</u>	<u>\$ 34,624,633</u>	<u>\$ 48</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2014 consisted of the following:

	Due From Other Funds		Total Governmental Funds	Proprietary Fund	Total
	General Fund	Non-Major Governmental Funds			
General Fund	\$ -	\$ 289,540	\$ 289,540	\$ 245,380	\$ 534,920
Special Reserve Fund for Capital Outlay Projects	26,196	-	26,196	-	26,196
Non-Major Governmental Funds	125,659	-	125,659	-	125,659
Total	\$ 151,855	\$ 289,540	\$ 441,395	\$ 245,380	\$ 686,775

General Fund due to Charter School Fund for in-lieu property taxes	\$ 244,497
General Fund due to Cafeteria Fund for meeting costs	1,643
General Fund due to Child Development Fund for Cal-Safe program	43,400
General Fund due to Self Insurance Fund for insurance contribution and repairs	245,380
Charter School Fund due to General Fund for indirect costs, postage and split day	6,196
Child Development Fund due to General Fund for indirect costs, salaries and benefits, and other miscellaneous charges	60,343
Cafeteria Fund due to General Fund for indirect costs and other miscellaneous charges	9,361
Special Reserve Fund for Capital Outlay Projects due to General Fund for CFCS/T-mobile rent	26,196
Capital Facilities Fund due to General Fund for 3% administrative fee	49,759
Total	\$ 686,775

As of June 30, 2014, the District's Adult Education Fund owed the General Fund \$174,625 for indirect costs and miscellaneous charges. The General Fund owed the Adult Education Fund \$2,928,160 for apportionment and miscellaneous adjustments. Additionally, the General Fund owed the Deferred Maintenance Fund \$1,001,958 for maintenance contribution. 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, 2014 consisted of the following:

Special Reserve Fund for Capital Outlay Projects transfer to General Fund for rental revenue from Marshall site	\$ 655,326
General Fund transfer to Child Development Program for Cal-Safe program	43,400
Total	\$ 698,726

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 100,000	\$ -	\$ -	\$ 100,000
Stores inventories	270,857	-	150,361	421,218
Prepaid expenditures	417,541	-	4,710	422,251
Total Nonspendable	788,398	-	155,071	943,469
Restricted:				
Categorical programs	11,575,231	-	1,104,829	12,680,060
Capital projects	-	24,894,960	3,483,702	28,378,662
Debt service	-	-	8,822,876	8,822,876
Total Restricted	11,575,231	24,894,960	13,411,407	49,881,598
Assigned:				
Additional 2% reserve	5,356,596	-	-	5,356,596
Medi-Cal administrative activities (MAA)	92,066	-	-	92,066
Mandated costs	67,166	-	-	67,166
School and library improvement block grant	182,537	-	-	182,537
Schools’ facility use funds	440,707	-	-	440,707
SEIU professional growth	57,437	-	-	57,437
Emergency supplies projects	11,211	-	-	11,211
Advanced placement (AP)	6,136	-	-	6,136
Charter school program	-	-	693,370	693,370
Adult education program	3,174,315	-	-	3,174,315
Child development program	-	-	56,481	56,481
Deferred maintenance program	3,578,692	-	-	3,578,692
Total Assigned	12,966,863	-	749,851	13,716,714
Unassigned:				
Reserve for economic uncertainties	5,356,596	-	-	5,356,596
Remaining unassigned balances	11,825,599	-	-	11,825,599
Total Unassigned	17,182,195	-	-	17,182,195
Total	\$ 42,512,687	\$ 24,894,960	\$ 14,316,329	\$ 81,723,976

FREMONT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2014

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 was as follows:

	Original Balance, July 1, 2013	Adjustments for Restatement	Adjusted Balance July 1, 2013	Additions	Retirements	Balance, June 30, 2014
Capital assets not being depreciated:						
Land	\$ 9,494,607	\$ -	\$ 9,494,607	\$ 3,300,000	\$ -	\$ 12,794,607
Construction in progress	15,482,637	(13,900,079)	1,582,558	1,171,278	-	2,753,836
Total capital assets not being depreciated	24,977,244	(13,900,079)	11,077,165	4,471,278	-	15,548,443
Capital assets being depreciated:						
Improvement of sites	45,174,158	-	45,174,158	306,318	-	45,480,476
Buildings	413,579,602	-	413,579,602	1,438,378	-	415,017,980
Equipment	10,618,730	-	10,618,730	1,053,836	-	11,672,566
Total capital assets being depreciated	469,372,490	-	469,372,490	2,798,532	-	472,171,022
Accumulated depreciation for:						
Improvement of sites	(23,710,536)	-	(23,710,536)	(1,734,090)	-	(25,444,626)
Buildings	(137,799,570)	-	(137,799,570)	(8,705,231)	-	(146,504,801)
Equipment	(9,386,665)	-	(9,386,665)	(479,693)	-	(9,866,358)
Total accumulated depreciation	(170,896,771)	-	(170,896,771)	(10,919,014)	-	(181,815,785)
Total capital assets being depreciated, net	298,475,719	-	298,475,719	(8,120,482)	-	290,355,237
Governmental activity capital assets, net	\$ 323,452,963	\$ (13,900,079)	\$ 309,552,884	\$ (3,649,204)	\$ -	\$ 305,903,680
Other Assets						
Deposit on acquisition of land	\$ 2,540,000	-	\$ 2,540,000	-	2,540,000	\$ -

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

Governmental Activities:

Instruction	\$ 7,274,870
Supervision of instruction	382,966
Instructional library, media, and technology	146,915
School site administration	800,584
Home-to-school transportation	235,449
Food services	252,303
All other pupil services	308,591
Ancillary services	48,921
Community services	22,675
All other general administration	351,679
Data processing services	65,993
Plant services	1,028,068
Total depreciation	\$ 10,919,014

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 177,960,365	\$ -	\$ 6,640,365	\$ 171,320,000	\$ 5,160,000
Accreted interest	2,198,412	101,203	2,299,615	-	-
Unamortized premium	17,428,911	-	1,430,155	15,998,756	1,430,155
Total - Bonds	<u>197,587,688</u>	<u>101,203</u>	<u>10,370,135</u>	<u>187,318,756</u>	<u>6,590,155</u>
Capital Leases	236,944	-	149,184	87,760	79,316
Other Postemployment Benefits	12,874,958	4,294,266	-	17,169,224	-
Compensated Absences	1,313,473	28,883	-	1,342,356	-
Totals	<u>\$ 212,013,063</u>	<u>\$ 4,424,352</u>	<u>\$ 10,519,319</u>	<u>\$ 205,918,096</u>	<u>\$ 6,669,471</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Capital leases payments are made by the General 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, 2014, there were no remaining bonds outstanding from this authorization.

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, 2014, 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, 2014 are the 2009 Refunding Bonds, the 2012 Refunding Bonds, and the 2012-B 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, 2014, the principal balance outstanding on the previously defeased debt amounted to \$110,797,000. Deferred charges on refunding of \$9,620,500 remain to be amortized.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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.

A summary of outstanding general obligation bonds issued and outstanding as of June 30, 2014 is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
1996F	7/2/1996	8/1/2013	4.2%-6.15%	\$ 32,389,981	\$ 599,811	\$ -	\$ 599,811	\$ -
1998Ref.	9/15/1998	8/1/2013	3.4%-4.85%	34,519,976	320,554	-	320,554	-
2004Ref.	10/13/2004	9/1/2019	2.0%-4.0%	2,335,000	15,000	-	15,000	-
2002B	9/21/2005	8/1/2030	3.625%-5.0%	72,200,000	295,000	-	-	295,000
2009Ref.	12/22/2009	8/1/2020	2.0%-5.0%	40,740,000	35,630,000	-	1,925,000	33,705,000
2012Ref.	2/9/2012	8/1/2026	2.0%-5.0%	61,210,000	60,685,000	-	1,945,000	58,740,000
2012B Ref.	12/18/2012	8/1/2030	2.0%-5.0%	80,415,000	80,415,000	-	1,835,000	78,580,000
					<u>\$ 177,960,365</u>	<u>\$ -</u>	<u>\$ 6,640,365</u>	<u>\$ 171,320,000</u>
Accreted Interest:								
				1996F	\$ 1,387,097	\$ 73,072	\$ 1,460,169	\$ -
				1998R	811,315	28,131	839,446	-
					<u>\$ 2,198,412</u>	<u>\$ 101,203</u>	<u>\$ 2,299,615</u>	<u>\$ -</u>

The annual requirements to amortize general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
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
2018-19	8,495,000	5,623,325	14,118,325
2019-24	45,285,000	21,897,200	67,182,200
2024-29	62,220,000	10,683,325	72,903,325
2029-31	31,950,000	970,800	32,920,800
Total	<u>\$ 171,320,000</u>	<u>\$ 64,835,110</u>	<u>\$ 236,155,110</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Capital Leases

The District leases certain equipment valued at \$443,338 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

	Fiscal Year	Lease Payment
	2014-15	\$ 83,303
	2015-16	<u>8,910</u>
	Total	92,213
Less amount representing interest		<u>(4,453)</u>
Present value of net minimum lease payments		<u>\$ 87,760</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.

Condensed audited financial information as of June 30, 2013 is as follows:

	Northern California ReLiEF	ACSIG	Mission Valley ROP	State-Wide Educational Wrap-Up Program
Assets	\$ 68,154,000	\$ 36,481,667	\$ 12,336,132	\$ 18,602,373
Liabilities	<u>43,117,190</u>	<u>41,481,473</u>	<u>481,846</u>	<u>14,743,154</u>
Net Position	<u>\$ 25,036,810</u>	<u>\$ (4,999,806)</u>	<u>\$ 11,854,286</u>	<u>\$ 3,859,219</u>
Revenues	\$ 16,753,865	\$ 132,925,858	\$ 123,537	\$ 9,019,698
Expenses	<u>21,795,973</u>	<u>126,807,961</u>	<u>6,073,778</u>	<u>10,076,433</u>
Operating Income	(5,042,108)	6,117,897	(5,950,241)	(1,056,735)
Non-Operating Income	<u>31,539</u>	<u>102,230</u>	<u>7,218,588</u>	<u>21,268</u>
Change in Net Position	<u>\$ (5,010,569)</u>	<u>\$ 6,220,127</u>	<u>\$ 1,268,347</u>	<u>\$ (1,035,467)</u>

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014, the District had commitments with respect to unfinished capital projects of approximately \$0.2 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, 2014.

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, 2014, 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.

Workers' Compensation

For fiscal year 2013-14, 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, 2012 to June 30, 2014:

	Liability Claims
Liability Balance, July 1, 2012	\$ 187,519
Claims and changes in estimates	(33,570)
Claims payments	(28,948)
Liability Balance, July 1, 2013	125,001
Claims and changes in estimates	404,386
Claims payments	(246,484)
Liability Balance, June 30, 2014	\$ 282,903
Assets available to pay claims at June 30, 2014	\$ 297,542

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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.

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 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 5,026,191	100%
2012-13	\$ 4,768,661	100%
2011-12	\$ 4,613,491	100%

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 12,034,144	100%
2012-13	\$ 11,739,765	100%
2011-12	\$ 11,254,876	100%

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

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 \$6.2 million to STRS (4.267% of salaries subject to STRS in 2013-14).

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 2013-14, the District contributed \$3,367,778.

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.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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	514,998
Adjustment to ARC	<u>(744,560)</u>
Annual OPEB cost	7,662,044
Contributions made	<u>(3,367,778)</u>
Increase in net OPEB obligation	4,294,266
Net OPEB obligation - July 1, 2013	12,874,958
Net OPEB obligation - June 30, 2014	<u><u>\$ 17,169,224</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the three preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 5,100,111	63%	\$ 8,398,971
2013	\$ 7,741,852	42%	\$ 12,874,958
2014	\$ 7,662,044	44%	\$ 17,169,224

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.

FREMONT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

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%

NOTE 13 – FUTURE GASB PRONOUNCEMENT

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

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, 2014

NOTE 13 – FUTURE GASB PRONOUNCEMENT (continued)

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.

NOTE 14 – ADJUSTMENTS FOR RESTATEMENTS

The beginning net position in the Statement of Activities was restated by (\$13,900,079) due to errors identified in the construction in progress for assets that have been previously placed into service. After reconciling the schedule of capital assets, adjustments were necessary to restate the beginning balance for construction in progress. Combined with the restatement described in Note 1.G., the total adjustments for restatements were (\$15,176,335).

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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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 181,765,017	\$ 212,367,580	\$ 212,159,606	\$ (207,974)
Federal	10,711,740	10,800,890	10,487,328	(313,562)
Other State	53,605,317	34,698,100	34,623,958	(74,142)
Other Local	5,576,536	12,801,859	12,641,569	(160,290)
Total Revenues	251,658,610	270,668,429	269,912,461	(755,968)
Expenditures				
Current:				
Certificated Salaries	144,069,040	147,195,549	147,087,366	108,183
Classified Salaries	41,354,745	43,795,995	43,794,165	1,830
Employee Benefits	31,055,644	31,408,899	31,313,738	95,161
Books and Supplies	12,869,689	17,698,861	13,311,259	4,387,602
Services and Other Operating Expenditures	22,524,301	28,205,718	26,728,926	1,476,792
Capital Outlay	231,021	1,655,104	1,306,442	348,662
Intergovernmental	3,259,177	4,198,840	4,205,171	(6,331)
Debt Service	238,395	41,038	39,323	1,715
Total Expenditures	255,602,012	274,200,004	267,786,390	6,413,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,943,402)	(3,531,575)	2,126,071	5,657,646
Other Financing Sources and Uses				
Interfund Transfers In	655,327	655,327	655,326	(1)
Interfund Transfers Out	-	200,000	43,400	156,600
Total Other Financing Sources and Uses	655,327	455,327	611,926	156,599
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)	(3,288,075)	(3,076,248)	2,737,997	5,814,245
Net Change in Fund Balance	(3,288,075)	(3,076,248)	2,737,997	5,814,245
Fund Balances, July 1, 2013	32,871,862	32,871,862	32,871,865	3
Fund Balances, June 30, 2014	\$ 29,583,787	\$ 29,795,614	\$ 35,609,862	\$ 5,814,248

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, 2014*

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal	\$ 3,348,935	\$ 3,291,280	\$ 3,290,906	\$ (374)
Other State	9,777,328	9,660,116	9,660,116	-
Total Revenues	<u>13,126,263</u>	<u>12,951,396</u>	<u>12,951,022</u>	<u>(374)</u>
Expenditures				
Other Outgo	<u>13,126,263</u>	<u>12,951,396</u>	<u>12,951,022</u>	<u>374</u>
Total Expenditures	<u>13,126,263</u>	<u>12,951,396</u>	<u>12,951,022</u>	<u>374</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances, July 1, 2013	-	-	-	-
Fund Balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

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, 2014*

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, 2014, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Intergovernmental	\$ 6,331

Supplementary Information

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FREMONT UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2014

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, 2014 were as follows.

BOARD OF EDUCATION

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

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, 2014

	Charter School Special Revenue Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease Purchase Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS								
Cash	\$ 418,924	\$ 86,923	\$ 672,165	\$ 3,587,143	\$ 15,808	\$ 200,622	\$ 8,816,176	\$ 13,797,761
Accounts receivable	127,386	87,151	478,671	5,356	12	157	6,700	705,433
Due from other funds	244,497	43,400	1,643	-	-	-	-	289,540
Inventories	-	-	150,361	-	-	-	-	150,361
Prepaid expenditures	3,728	-	983	-	-	-	-	4,711
Total Assets	<u>\$ 794,535</u>	<u>\$ 217,474</u>	<u>\$ 1,303,823</u>	<u>\$ 3,592,499</u>	<u>\$ 15,820</u>	<u>\$ 200,779</u>	<u>\$ 8,822,876</u>	<u>\$ 14,947,806</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 21,915	\$ 28,087	\$ 180,179	\$ 78,908	\$ -	\$ 196,729	\$ -	\$ 505,818
Due to other funds	6,196	60,343	9,361	49,759	-	-	-	125,659
Total Liabilities	<u>28,111</u>	<u>88,430</u>	<u>189,540</u>	<u>128,667</u>	<u>-</u>	<u>196,729</u>	<u>-</u>	<u>631,477</u>
Fund Balances								
Nonspendable	3,728	-	151,343	-	-	-	-	155,071
Restricted	69,326	72,563	962,940	3,463,832	15,820	4,050	8,822,876	13,411,407
Assigned	693,370	56,481	-	-	-	-	-	749,851
Total Fund Balances	<u>766,424</u>	<u>129,044</u>	<u>1,114,283</u>	<u>3,463,832</u>	<u>15,820</u>	<u>4,050</u>	<u>8,822,876</u>	<u>14,316,329</u>
Total Liabilities and Fund Balances	<u>\$ 794,535</u>	<u>\$ 217,474</u>	<u>\$ 1,303,823</u>	<u>\$ 3,592,499</u>	<u>\$ 15,820</u>	<u>\$ 200,779</u>	<u>\$ 8,822,876</u>	<u>\$ 14,947,806</u>

FREMONT UNIFIED SCHOOL DISTRICT

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

June 30, 2014

	Charter School Special Revenue Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease Purchase Fund	County School Facilities Fund	Bond Interest Redemption and Fund	Total Non-Major Governmental Funds
REVENUES								
LCFF Sources	\$ 1,476,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,476,124
Federal sources	-	-	3,304,851	-	-	-	-	3,304,851
Other state sources	99,845	715,453	184,775	-	-	-	82,480	1,082,553
Other local sources	15,510	303,891	2,971,234	2,397,716	38	476	11,679,963	17,368,828
Total Revenues	1,591,479	1,019,344	6,460,860	2,397,716	38	476	11,762,443	23,232,356
EXPENDITURES								
Current:								
Instruction	1,262,448	643,592	-	-	-	-	-	1,906,040
Supervision of instruction	13,375	362,378	-	-	-	-	-	375,753
Instructional library, media and technology	70,539	-	-	-	-	-	-	70,539
School site administration	210,513	476	-	-	-	-	-	210,989
Pupil Support Services:								
Food services	-	-	6,097,193	-	-	-	-	6,097,193
All other pupil services	15,737	-	-	-	-	-	-	15,737
General Administration Services:								
Data processing	-	-	-	-	-	-	-	-
Other general administration	81,785	-	-	548,509	-	-	-	630,294
Plant services	38,704	3,317	35,673	218,661	-	-	-	296,355
Transfers of indirect costs	-	49,051	277,315	-	-	-	-	326,366
Capital outlay	16,415	-	-	2,716,246	-	-	-	2,732,661
Debt Service:								
Principal	-	-	-	-	-	-	6,640,385	6,640,385
Interest	-	-	-	-	-	-	9,117,503	9,117,503
Total Expenditures	1,709,516	1,058,814	6,410,181	3,483,416	-	-	15,757,888	28,419,815
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,037)	(39,470)	50,679	(1,085,700)	38	476	(3,995,445)	(5,187,459)
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	-	43,400	-	-	-	-	-	43,400
Net Change in Fund Balances	(118,037)	3,930	50,679	(1,085,700)	38	476	(3,995,445)	(5,144,059)
Fund Balances, July 1, 2013	884,461	125,114	1,063,604	4,549,532	15,782	3,574	12,818,321	19,460,388
Fund Balances, June 30, 2014	\$ 766,424	\$ 129,044	\$ 1,114,283	\$ 3,463,832	\$ 15,820	\$ 4,050	\$ 8,822,876	\$ 14,316,329

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - General Fund
June 30, 2014

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund ¹
ASSETS				
Cash	\$ 22,027,309	\$ 222,551	\$ 2,574,658	\$ 24,824,518
Investments	1,365,034	-	-	1,365,034
Accounts receivable	30,182,608	301,437	2,077	30,486,122
Due from other funds	326,480	2,928,160	1,001,958	4,256,598
Inventories	270,857	-	-	270,857
Prepaid expenditures	326,793	90,749	-	417,542
Total Assets	\$ 54,499,081	\$ 3,542,897	\$ 3,578,693	\$ 61,620,671
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 14,286,238	\$ 41,819	\$ 1	\$ 14,328,058
Unearned revenue	137,943	2,320	-	140,263
Due to other funds	4,465,038	174,625	-	4,639,663
Total Liabilities	18,889,219	218,764	1	19,107,984
Fund Balances				
Nonspendable	697,649	90,749	-	788,398
Restricted	11,516,162	59,069	-	11,575,231
Assigned	6,213,856	3,174,315	3,578,692	12,966,863
Unassigned	17,182,195	-	-	17,182,195
Total Fund Balances	35,609,862	3,324,133	3,578,692	42,512,687
Total Liabilities and Fund Balances	\$ 54,499,081	\$ 3,542,897	\$ 3,578,693	\$ 61,620,671

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

FREMONT UNIFIED SCHOOL DISTRICT*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
General Fund**June 30, 2014*

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund
REVENUES				
LCFF sources	\$ 212,159,606	\$ 2,927,126	\$ 1,001,958	\$ 216,088,690
Federal sources	10,487,328	524,460	-	11,011,788
Other state sources	34,623,958	4,282	-	34,628,240
Other local sources	12,641,569	565,682	6,679	13,213,930
	<u>269,912,461</u>	<u>4,021,550</u>	<u>1,008,637</u>	<u>274,942,648</u>
EXPENDITURES				
Current:				
Instruction	179,785,010	2,181,670	-	181,966,680
Supervision of instruction	9,780,768	55,601	-	9,836,369
Instructional library, media and technology	3,237,738	207,296	-	3,445,034
School site administration	17,576,381	990,445	-	18,566,826
Pupil Support Services:				
Home-to-school transportation	6,449,579	-	-	6,449,579
Food services	11,544	-	-	11,544
All other pupil services	8,419,287	-	-	8,419,287
General Administration Services:				
Data processing	2,313,554	-	-	2,313,554
Other general administration	10,268,087	-	-	10,268,087
Plant services	24,005,410	338,162	64,469	24,408,041
Ancillary services	1,170,459	-	-	1,170,459
Community services	488,006	-	-	488,006
Transfers of indirect costs	(492,050)	165,684	-	(326,366)
Capital outlay	36,073	306,317	443,595	785,985
Intergovernmental	4,697,221	-	-	4,697,221
Debt service:				
Principal	36,338	-	-	36,338
Interest	2,985	-	-	2,985
	<u>267,786,390</u>	<u>4,245,175</u>	<u>508,064</u>	<u>272,539,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,126,071</u>	<u>(223,625)</u>	<u>500,573</u>	<u>2,403,019</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	655,326	-	-	655,326
Interfund transfers out	(43,400)	-	-	(43,400)
	<u>611,926</u>	<u>-</u>	<u>-</u>	<u>611,926</u>
Total Other Financing Sources and Uses	<u>611,926</u>	<u>-</u>	<u>-</u>	<u>611,926</u>
Net Change in Fund Balances	2,737,997	(223,625)	500,573	3,014,945
Fund Balances, July 1, 2013	<u>32,871,865</u>	<u>3,547,758</u>	<u>3,078,119</u>	<u>39,497,742</u>
Fund Balances, June 30, 2014	<u>\$ 35,609,862</u>	<u>\$ 3,324,133</u>	<u>\$ 3,578,692</u>	<u>\$ 42,512,687</u>

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2014

Second Period Report - Certificate No. (F24D6754)

Regular ADA:	TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Regular ADA	10,613.11	7,714.57	4,797.19	9,478.53	32,603.40
Extended Year Special Education	32.24	12.05	7.54	14.53	66.36
Special Education - Nonpublic Schools	5.51	8.01	7.57	26.12	47.21
Extended Year Special Education - Nonpublic Schools	0.91	1.26	1.09	4.74	8.00
Total ADA	10,651.77	7,735.89	4,813.39	9,523.92	32,724.97
Other (included in Regular ADA amounts):					
Full-Time Independent Study	59.01				
Transitional Kindergarten	269.13				
Continuation Education	203.10				

Annual Report - Certificate No. (781D8C6D)

Regular ADA:	TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Regular ADA	10,600.69	7,706.39	4,792.01	9,442.60	32,541.69
Extended Year Special Education	32.24	12.05	7.54	14.53	66.36
Special Education - Nonpublic Schools	5.07	7.62	7.18	26.06	45.93
Extended Year Special Education - Nonpublic Schools	0.91	1.26	1.09	4.74	8.00
Total ADA	10,638.91	7,727.32	4,807.82	9,487.93	32,661.98
Other (included in Regular ADA amounts):					
Full-Time Independent Study	58.73				
Transitional Kindergarten	267.21				
Continuation Education	200.36				

Second Period Report - Certificate No. (1439446E)

Charter School:	TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Non-classroom based	23.48	42.63	39.69	129.00	234.80
Total Charter School	23.48	42.63	39.69	129.00	234.80

Annual Report - Certificate No. (781D8C6D)

Charter School:	TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Non-classroom based	24.17	42.54	39.69	129.09	235.49
Total Charter School	24.17	42.54	39.69	129.09	235.49

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2014

Grade Level	Requirement		2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	36,000	180	Complied
Grade 1	50,400	49,000	51,300	180	Complied
Grade 2	50,400	49,000	51,300	180	Complied
Grade 3	50,400	49,000	51,300	180	Complied
Grade 4	54,000	52,500	54,000	180	Complied
Grade 5	54,000	52,500	54,000	180	Complied
Grade 6	54,000	52,500	54,000	180	Complied
Grade 7	54,000	52,500	57,600	180	Complied
Grade 8	54,000	52,500	57,600	180	Complied
Grade 9	64,800	63,000	64,800	180	Complied
Grade 10	64,800	63,000	64,800	180	Complied
Grade 11	64,800	63,000	64,800	180	Complied
Grade 12	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, 2014

General Fund	(Budget)			
	2015 ³	2014 ⁴	2013	2012
Revenues and other financing sources	\$ 277,657,939	\$ 270,567,787	\$ 253,101,539	\$ 251,454,521
Expenditures	287,226,270	267,786,390	256,291,262	254,787,298
Other uses and transfers out	200,000	43,400	-	-
Total outgo	287,426,270	267,829,790	256,291,262	254,787,298
Change in fund balance (deficit)	(9,768,331)	2,737,997	(3,189,723)	(3,332,777)
Ending fund balance	\$ 25,841,531	\$ 35,609,862	\$ 32,871,865	\$ 36,061,588
Available reserves ¹	\$ 6,488,694	\$ 11,825,599	\$ 15,954,664	\$ 25,831,002
Available reserves as a percentage of total outgo	2.3%	4.4%	6.2%	10.1%
Total long-term debt	\$ 199,248,625	\$ 205,918,096	\$ 212,013,063	\$ 207,511,390
Average daily attendance at P-2 ²	33,005	32,725	32,251	31,621

The General Fund balance has decreased by approximately \$0.5 million over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of approximately \$9.8 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year. Long-term debt has increased by over \$1.6 million over the past two years.

Average daily attendance has increased by 1,104 over the past two years. An increase of 280 ADA is anticipated during fiscal year 2014-15.

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

² Excludes Adult Education and Charter School ADA.

³ Revised Budget September, 2014

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

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

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	\$ 298,702	
School Breakfast Program - Basic	10.553	13390	2,530	
National School Lunch Program	10.555	13523	2,339,157	
USDA Donated Foods	10.555	N/A	664,462	
Subtotal Child Nutrition Cluster				\$ 3,304,851
Total U.S. Department of Agriculture				3,304,851
U.S. Department of Education:				
Indian Education	84.060	1011		42,186
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster				
Adult Basic Education & ESL	84.002A	14508	286,476	
State Leadership Projects	84.002	13970	11,111	
Adult Secondary Education	84.002	13978	46,404	
English Literacy & Civics Education Local Grant	84.002A	14109	180,469	
Subtotal Adult Basic Education Cluster				524,460
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected Migrant Education Cluster	84.010	14329		2,569,987
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	39,727	
Title I, Migrant Ed, Summer Program	84.011	10005	9,980	
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	25,262	
Subtotal Migrant Education Cluster				74,969
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330B	14831		61,446
Title II, Part A, Teacher Quality Local	84.367	14341		565,761
Title III, Limited English Proficiency	84.365	14346		591,364
Carl Perkins Act - Secondary	84.048	14894		148,484
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Local Assistance Entitlement	84.027	13379	7,547,934	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	139,243	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	312,919	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	515,155	
Preschool Local Entitlement, Part B	84.173A	13682	590,852	
Preschool Staff Development	84.173A	13431	2,193	
Subtotal Special Education (IDEA) Cluster				9,108,296
IDEA Early Intervention Grants, Part C	84.181	23761		211,330
Workability II, Transition	84.158	10006		227,713
Total U.S. Department of Education				14,125,996
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		96,743
Total U.S. Department of Health & Human Services				96,743
Total Expenditures of Federal Awards				\$ 17,527,590

FREMONT UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2014*

*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, 2014

<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, 2014

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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, 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	\$ 1,791,068	\$ 900,396	\$ 2,691,464
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	27,169	28,867	56,036
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	73,778	50,033	123,811
Preschool Local Entitlement, Part B	84.173A	121,459	82,369	203,828
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	142,641	72,258	214,899
Preschool Staff Development	8.173A	517	351	868
		<u>\$ 2,156,632</u>	<u>\$ 1,134,274</u>	<u>\$ 3,290,906</u>

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Other Independent Auditors' Reports

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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, 2014, 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 12, 2014.

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 instance 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 2014-1.

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.

Murrieta, California
December 12, 2014

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 2013-14*, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. 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 2013-14*. 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.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable

Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	Not applicable

We did not perform testing for independent study because the ADA was under the level that requires testing. We did not perform testing for California Clean Energy Jobs Act because the District did not have any expenditures during 2013-14.

Opinion on Compliance with State Programs

In our opinion, Fremont Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

District's Response to Finding

Fremont Unified School District's response to the internal control over compliance 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 in the audit of compliance and, accordingly, we express no opinion on the response.

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 2013-14*. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
December 12, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND 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, 2014. 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, 2014.

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.



Murrieta, California
December 12, 2014

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, 2014

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>84.027 & 84.173</u>	<u>Special Education Cluster (IDEA)</u>
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>
<u>84.365</u>	<u>Title III, Limited English Proficient</u>
<u>84.002</u>	<u>Adult Basic Education Cluster (ABE)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 525,828</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, 2014

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 2013-14.

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

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 2013-14.

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2014-1: Unduplicated Pupil Count (40000)

Criteria: In order to be counted in CALPADS report 1.17 a student must have an open primary or short-term enrollment in CALPADS over Census Day (the first Wednesday in October) and meet one or more of the following criteria:

- Have a program record with an education program code of homeless, Migrant, Free Meal Program, or Reduced-Price Meal Program, that is open over Census Day
- Have an English Language Acquisition Status of “English learner” (EL) that is effective over Census Day
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS
- Be identified as a foster youth based on a statewide match conducted by CALPADS
- Be identified as foster youth through a local data matching process and submitted to and validated by CALPADS (functionality will be implemented in fall 2014)

Condition: During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that one student was reported as qualifying for free or reduced priced meals but did not have an application on file for the 2013-14 fiscal year.

Context: We noted errors in one of the ten schools we tested.

Questioned Costs: \$181. This amount was determined by calculating the difference between the District’s original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School Site:	CALPADS Reported	Adjusted based on eligibility for:	
		FRPM	Adjusted Total
J. Haley Durham Elementary	270	(1)	269
Agregate of remaining schools	10,270	-	10,270
District-wide	<u>10,540</u>	<u>(1)</u>	<u>10,539</u>

The enrollment count of 33,661 was not impacted as a result of procedures performed.

FREMONT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2014-1: Unduplicated Pupil Count (40000) (continued)

Recommendation: We recommend that the district work with the Child Nutrition Services department to update the CALPADS system once all applications are received. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting is updated to reflect the changes made in the Child Nutrition Services internal system prior to the submission of the CALPADS report.

District Response: District staff met to review current procedures for reporting information to CALPADS. Internal control process and procedures will be re-evaluated and carefully monitored to ensure accuracy.

FREMONT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Original Finding No.	Finding	Code	Recommendation	Current Status																																				
<i>Finding 2013-1: School Accountability Report Card</i>	<p>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.</p> <p>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:</p> <table border="1"> <thead> <tr> <th>School Site</th> <th>Category</th> <th>SARC</th> <th>FIT</th> </tr> </thead> <tbody> <tr> <td>Warm Springs Elementary</td> <td>External</td> <td>Fair</td> <td>Good</td> </tr> <tr> <td>Irvington High</td> <td>Interior</td> <td>Poor</td> <td>Good</td> </tr> <tr> <td>Irvington High</td> <td>Electrical</td> <td>Fair</td> <td>Good</td> </tr> <tr> <td>Chadbourne Elementary</td> <td>External</td> <td>Fair</td> <td>Good</td> </tr> <tr> <td>Niles Elementary</td> <td>Systems</td> <td>Fair</td> <td>Good</td> </tr> <tr> <td>Niles Elementary</td> <td>Structural</td> <td>Good</td> <td>Fair</td> </tr> <tr> <td>Niles Elementary</td> <td>External</td> <td>Fair</td> <td>Poor</td> </tr> <tr> <td>Hopkins Junior High</td> <td>Restrooms</td> <td>Fair</td> <td>Good</td> </tr> </tbody> </table>	School Site	Category	SARC	FIT	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	72000	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.	Implemented.
School Site	Category	SARC	FIT																																					
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																																					



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, 2014, 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 12, 2014, on the financial statements of Fremont Unified School District.

DISTRICT OFFICE

Observation: During our review of District disbursements, we noted 13 instances in our sample of 111 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.

Observation: During our review of the District's Cafeteria controls over a la carte sales, we noted that there are no controls in place.

Recommendation: We recommend that the District implement procedures that will allow for the reconciliation between money collected and sales. Sound internal controls for handling cash discourage the theft of District funds and protect those who handle cash.

ASSOCIATED STUDENT BODY (ASB)

Observation: During our review of cash disbursements, we noted that several disbursements were not approved until after the purchase was made.

Recommendation: 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. 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. We recommend that the site adopt a procedure for obtaining the required approvals prior to incurring the cost.

ASSOCIATED STUDENT BODY (ASB) (continued)

Observation: During our review of cash disbursements at several sites, we noted seven disbursements that appear to be unallowable or questionable ASB expenses. These expenses were for staff apparel, staff appreciation, gift cards, sympathy flowers and school site repairs.

Recommendation: Such items are usually not allowable because they are considered a gift of public funds. ASB funds are considered public funds because they are raised through the District's tax identification number and receive the benefit of nontaxable status. Anything that is purchased must be for goods and services that promote the students' general welfare, morale, and educational experiences. We recommend that the site discontinue such purchases from ASB funds, that the site be reminded of allowable and prohibited purchases with ASB funds, and also review the process for raising funds for charitable causes.

Observation: During our review of cash receipts, we found that several deposits at multiple sites tested lacked sufficient supporting documentation. Without proper supporting documentation we could not verify whether all cash collected has been deposited intact and into the correct ASB account.

Recommendation: We recommend that before any events are held, control procedures are established that will allow for the reconciliation between money collected and fundraiser sales. Sound internal controls for handling cash discourage the theft of ASB funds and protect those who handle cash.

Observation: Through inquiry, we noted there was a lack of segregation of duties in creating and selling tickets. We determined that one individual can create and sell tickets without any oversight.

Recommendation: Good internal controls include segregating duties according to employees' duties so that one person is not handling a transaction from beginning to end. This is a critical part of a system of checks and balances. We recommend that the bookkeeper have custody and control of pre-numbered tickets and that teachers check out tickets from the bookkeeper. In addition, we recommend that the bookkeepers keep a log of outstanding ticket numbers. After the collection activity, the unused tickets and cash collected should be turned into the bookkeeper to be reconciled, recorded and deposited.

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



Murrieta, California
December 12, 2014