

**FREMONT UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2015**



**FREMONT UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2015*

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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, 2015, 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 the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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, 2015, 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.I. to the basic financial statements, the District has changed its method for accounting and reporting for pensions during fiscal year 2014-15 due to the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27" and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68". The adoption of these standards required retrospective application resulting in a \$294,796,914 reduction of previously reported net position at July 1, 2014. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

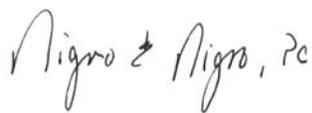
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 49, schedule of funding progress on page 50, schedule of proportionate share of the net pension liability on page 51, and schedule of contributions on page 52, 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 the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 55 to 62, and the schedule of expenditures of federal awards on page 63, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 54 and 64, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, 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 14, 2015

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2015*

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This discussion and analysis of Fremont Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$7.4 million, or 6.8%.
- Governmental expenses were about \$347.1 million. Revenues were about \$354.5 million.
- The District spent over \$9.1 million in new capital assets during the year. These expenditures were incurred primarily from modernization of the District's school facilities.
- The District increased its outstanding long-term debt by \$131.8 million. This was primarily due to the issuance of general obligation bonds and certificates of participation,
- Grades K-12 average daily attendance (ADA) increased by 306, or 0.9%.

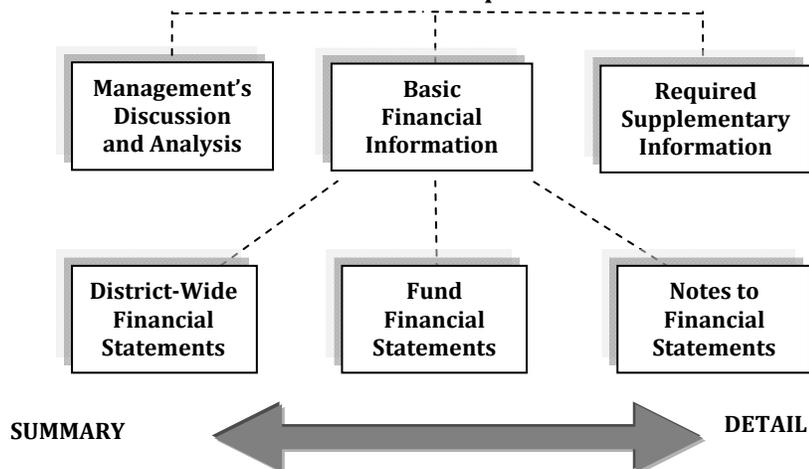
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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, 2015*

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

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

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

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, 2015*

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### 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, 2015*

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**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 higher on June 30, 2015, than it was the year before – increasing 6.8% to \$(100.5) million (See Table A-1) due to the implementation of GASB Statement No. 68 and increased state and local funding.

**Table A-1**

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2015	2014*	
Current assets	\$ 327.1	\$ 100.4	\$ 226.7
Capital assets	302.9	304.3	(1.4)
Total assets	630.0	404.7	225.3
Total deferred outflows	9.0	9.6	(0.6)
Current liabilities	40.1	21.5	18.6
Long-term liabilities	403.0	205.9	197.1
Total liabilities	443.1	227.4	215.7
Net position			
Net investment in capital assets	112.3	116.9	(4.6)
Restricted	72.4	49.9	22.5
Unrestricted	11.2	20.1	(8.9)
Total net position, before net pension liability	195.9	186.9	9.0
Amounts related to the net pension liability			
Deferred outflows	19.9	17.8	2.1
Net pension liability	(247.3)	(312.6)	65.3
Deferred inflows	(69.0)	-	(69.0)
Total net position	\$ (100.5)	\$ (107.9)	\$ 7.4

\*As restated

**Changes in net position, governmental activities.** The District's total revenues increased 13.5% to \$354.5 million (See Table A-2). The increase is due primarily to an increase in money received from local control funding formula sources and other state and federal sources.

The total cost of all programs and services increased 10.7% to \$347.1 million. The District's expenses are predominantly related to educating and caring for students, 78.6%. The purely administrative activities of the District accounted for just 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 (Decrease)
	2015	2014	
Total Revenues	\$ 354.5	\$ 312.3	\$ 42.2
Total Expenses	347.1	313.6	33.5
Increase (decrease) in net position	\$ 7.4	\$ (1.3)	\$ 8.7

# FREMONT UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2015

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### 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 \$292.3 million, which is above last year's ending fund balance of \$81.7 million. The primary cause of the increased fund balance is due to proceeds from general obligation bonds and certificates of participation.

#### 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) Gap funding has increased from 28.05% to 30.16%, which resulted in an increase of LCFF Sources
  - One-time discretionary grant as reimbursement to previous claims for Mandated Activities
  - Carryover of unspent categorical funds from prior year
  - Other revenue categories were also adjusted as grants became available from the Federal, State and local agencies
- Expenditures
  - Additional staffing due to increase in enrollment
  - Increase in employee benefits for State Teacher Retirement System (STRS) from 8.25% to 8.88% and Public Employee Retirement System (PERS) from 11.442% to 11.771% of the employees' gross payroll
  - 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 \$7.5 million, the actual results for the year show that revenues fell short of expenditures by about \$3.2 million. Actual revenues were \$1.3 million less than anticipated, and expenditures were \$5.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2015, that will be carried over into the 2015-16 budget.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2014-15 the District had invested \$9.1 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was nearly \$10.5 million.

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

	Governmental Activities (In millions)		Variance
	2015	2014*	Increase (Decrease)
Land	\$ 13.0	\$ 12.8	\$ 0.2
Improvement of sites	18.5	20.0	(1.5)
Buildings	260.7	268.5	(7.8)
Equipment	2.1	1.8	0.3
Construction in progress	8.5	1.2	7.3
Total	<u>\$ 302.8</u>	<u>\$ 304.3</u>	<u>\$ (1.5)</u>

\*As restated

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2015*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$650.3 million in general obligation bonds, certificates of participation, capital leases, pension liabilities, and employment benefits – an increase of 25.4% 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**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2015</b>	<b>2014*</b>	
General obligation bonds	\$ 323.5	\$ 187.3	\$ 136.2
Certificates of participation	56.0	-	56.0
Compensated absences	1.6	1.3	0.3
Capital leases	0.01	0.1	(0.1)
Other postemployment benefits	21.9	17.2	4.7
Net pension liability	247.3	312.6	(65.3)
<b>Total</b>	<b>\$ 650.3</b>	<b>\$ 518.5</b>	<b>\$ 131.8</b>

\*As restated

**ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2015-16 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 2015-16 budget that was adopted in June 2015.

The following assumptions were used in estimating revenues:

- The enrollment for 2015-16 is projected at 34,376 students, which represents an increase of 415 students from 2014-15.
- Average Daily Attendance (ADA) is projected at 33,400, which represents a 97.16% attendance rate.
- The Cost of Living Adjustment (COLA) is projected at 1.02%.
- The Local Control Funding Formula (LCFF) is calculated using 53.08% 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 31.3% 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 2015-16, 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 2015-16 is \$1.2 million.
- In 2014-15, the State provided a one-time Discretionary Fund of \$2.2 million as reimbursement to previous claims for Mandated Activities. In 2015-16, the Governor proposed to provide another one-time Discretionary Fund of \$601 per student or \$19.9 million. This fund may be used for any one-time educational purposes.

## **FREMONT UNIFIED SCHOOL DISTRICT**

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

*For the Fiscal Year Ended June 30, 2015*

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#### **ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2015-16 BUDGET (continued)**

- 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). The Governor proposed to exclude the Average Daily Attendance (ADA) of Adult Education and Regional Occupational Program (ROP) in calculating the Lottery funding. This will result in a reduction of funding by \$0.6 million. Lottery 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 1.02%.
- Most of the State categorical funds have been included in the LCFE, such as Economic Impact Aid (EIA), Schools and Libraries Improvement Block Grant (SLIBG), Instructional Material Fun Realignment Program (IMFRP), Targeted Instructional Improvement Block Grant (TIIBG), Transportation, Adult Education, and Regional Occupational Program (ROP).
- Local categorical program revenues are budgeted based on 50% of the 5-year historical trend. Other revenues are included based on the funding commitment from the donors. Revenue projection will be adjusted as new commitment are received from 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 2014-15.
- An Interfund Transfer-In of \$0.7 million from Fund 40, represents 80% of the rental income from Marshall Elementary School. This amount is allocated to support Technology projects.

The following assumptions were used in estimating expenditures:

- The enrollment for 2015-16 is projected at 34,376 students, which represents an increase of 415 students from 2014-15.
- Classroom staffing is estimated using the following class sizes and ratio:
  - Grade TK-1 24:1
  - Grades 2 28:1
  - Grades 3-6 30:1
  - Grades 7-12 27:1 (Ratio)

Based on the class size and ratio, the District will hire an additional 23.0 FTE teaching positions for elementary school, and 16.4 FTE teaching positions for secondary schools. Due to increases in the number of special needs students, the District will add 7.0 FTE teaching positions for Special Education, 2.8 FTE Psychologists, and 10.5 FTE Paraeducators.

- There is no projection for any salary adjustments other than the estimated cost of step and column movement 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 June 2, 2015, the District and Fremont Unified District Teachers Association (FUDTA) reached a tentative agreement in its contract negotiation. The agreement provides a 5% salary increase to all FUDTA members effective July 1, 2015. This agreement is scheduled to be ratified by the governing board on June 24, 2015.

The District and Fremont School Management Association (FSMA) met and conferred about the 5% salary increase to all FSMA members effective July 1, 2015. The letter of conferment is scheduled for board approval on June 24, 2015.

Due to the timing of the tentative agreement, the staff was not able to incorporate its fiscal impact in the proposed budget. However, the estimated costs of salaries and benefits related to these agreements have been designated in the fund balance and will be included in the expenditures upon ratification by the governing board.

## **FREMONT UNIFIED SCHOOL DISTRICT**

### *Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2015*

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#### **ECONOMIC FACTS AND ASSUMPTIONS USED FOR THE 2015-16 BUDGET (continued)**

- The employee benefits expenditures include the proposed increase in contribution to the State Retirement System (STRS) and Public Employee Retirement Systems (PERS) by 1.85% and 0.076%, respectively. The potential impact (\$2.5 million) of the Affordable Care Act (ACA) is also included in the 2015-16 budget.
- The following statutory employee benefits are used in calculating labor costs:
  - State Teachers Retirement System (STRS) 10.73%
  - Public Employee Retirement System (PERS) 11.847%
  - Federal Insurance Contribution Act (FICA) 6.20%
  - Medicare 1.45%
  - State Unemployment Insurance (SUI) 0.05%
  - Worker's Compensation (WC) 2.92%
  - Other Post-Employment Benefit (OPEB) 1.51%
- 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 \$24.7 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 Parcel Tax election is estimated at \$200,000.
- The Capital Outlay includes \$3.8 million to implement Proposition 39 (California Clean Energy Jobs Act). This represents 3 years of funding. The District is anticipating an additional \$1.3 million funding per year for the next 2 years.
- The District's LCFF revenue includes supplemental grant, which has increased by \$4.3 million from the prior year to \$12.3 million. This amount is allocated in the budget to provide supplemental services to students who are eligible for Free or Reduced Price Meals (FRPM), students who are English Language Learners (ELL), and/or Foster Youth. The Local Control and Accountability Plan (LCAP) has been developed and the public hearing was held on June 3, 2015. The adaptation of the LCAP is scheduled for June 24, 2015. The LCAP goals and actions are highlighted in the plan, with each respective budget allocation.
- A transfer of funds to Mission Valley Regional Occupational Program (MVROP) amounting to \$4.4 million is included in the budget. This is the same level of annual fund transfer since 2012-13. However, since the ADA of ROP and Adult Education has been excluded from the calculation of Lottery Funding, the District's Lottery funds will be reduced accordingly and no amounts will be transferred to MVROP and Adult Education program.
- The District's approved indirect cost rate for 2015-16 is 4.53%.
- A transfer of \$0.1 million to Child Development Fund is included in the 2015-16 budget to maintain the Cal-Safe program. This is one of the categorical programs that has been reclassified to LCFF revenue.

#### **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 A. Parungao, Associate Superintendent, 4210 Technology Drive, Fremont, CA 94538 or (510) 659-2572.

**FREMONT UNIFIED SCHOOL DISTRICT***Statement of Net Position**June 30, 2015*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 307,169,953
Investments	1,368,372
Accounts receivable	13,899,285
Inventories	425,662
Prepaid expenses	4,332,685
Non-depreciable capital assets	21,571,161
Depreciable capital assets	473,087,744
Less accumulated depreciation	<u>(191,803,911)</u>
Total assets	<u>630,050,951</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	9,004,812
Pension contributions subsequent to measurement date	<u>19,948,294</u>
Total deferred outflows of resources	<u>28,953,106</u>
<b>LIABILITIES</b>	
Accounts payable	40,052,063
Unearned revenue	173,815
Long-term liabilities:	
Due or payable within one year	25,619,603
Due or payable after one year	<u>624,632,755</u>
Total liabilities	<u>690,478,236</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Net differences between projected and actual earnings on plan investments	65,499,739
Adjustment due to differences in proportions	<u>3,512,693</u>
Total deferred inflows of resources	<u>69,012,432</u>
<b>NET POSITION</b>	
Net investment in capital assets	112,284,476
Restricted for:	
Capital projects	29,352,231
Debt service	32,229,036
Categorical programs	10,838,660
Unrestricted	<u>(285,191,014)</u>
Total net position	<u>\$ (100,486,611)</u>

# FREMONT UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instructional Services:					
Instruction	\$ 213,930,085	\$ 213,499	\$ 33,541,169	\$ 593	\$ (180,174,824)
Instruction-Related Services:					
Supervision of instruction	12,062,204	10,927	4,333,026	-	(7,718,251)
Instructional library, media and technology	3,134,436	1,073	37,409	-	(3,095,954)
School site administration	21,616,569	6,145	508,470	-	(21,101,954)
Pupil Support Services:					
Home-to-school transportation	5,557,502	11,524	1,523,197	-	(4,022,781)
Food services	6,360,789	3,008,598	2,815,380	-	(536,811)
All other pupil services	10,140,753	7,908	1,700,388	-	(8,432,457)
General Administration Services:					
Data processing services	4,409,674	-	-	-	(4,409,674)
Other general administration	10,990,139	112,142	1,375,342	-	(9,502,655)
Plant services	28,563,446	20,759	1,421,767	-	(27,120,920)
Ancillary services	1,449,947	2,490	357,750	-	(1,089,707)
Community services	540,636	-	-	-	(540,636)
Transfers between agencies	17,805,555	-	-	-	(17,805,555)
Other outgo	10,560,147	185,253	10,467,021	-	92,127
Total Governmental Activities	\$ 347,121,882	\$ 3,580,318	\$ 58,080,919	\$ 593	(285,460,052)
<b>General Revenues:</b>					
Property taxes					128,220,456
Federal and state aid not restricted to specific purpose					155,727,271
Interest and investment earnings					258,081
Interagency revenues					367,689
Miscellaneous					8,261,809
Total general revenues					292,835,306
Change in net position					7,375,254
Net position - July 1, 2014, as originally stated					188,517,607
Adjustments for restatements (Note 1.I. and Note 13)					(296,379,472)
Net position - July 1, 2014, as restated					(107,861,865)
Net position - June 30, 2015					\$ (100,486,611)

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2015*

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 53,622,889	\$ 135,430,242	\$ 80,129,263	\$ 37,902,129	\$ 307,084,523
Investments	1,368,372	-	-	-	1,368,372
Accounts receivable	10,896,202	85,248	15,834	2,901,942	13,899,226
Due from other funds	519,881	13,858	-	53,993	587,732
Inventories	228,376	-	-	197,286	425,662
Prepaid expenditures	4,332,300	-	-	385	4,332,685
Total Assets	<u>\$ 70,968,020</u>	<u>\$ 135,529,348</u>	<u>\$ 80,145,097</u>	<u>\$ 41,055,735</u>	<u>\$ 327,698,200</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 30,391,940	\$ 1,510,634	\$ 1,500	\$ 2,452,278	\$ 34,356,352
Due to other funds	302,851	15,631	2,412	501,838	822,732
Unearned revenue	173,815	-	-	-	173,815
Total Liabilities	<u>30,868,606</u>	<u>1,526,265</u>	<u>3,912</u>	<u>2,954,116</u>	<u>35,352,899</u>
<b>Fund Balances</b>					
Nonspendable	576,224	-	-	197,671	773,895
Restricted	9,124,097	134,003,083	80,141,185	37,903,948	261,172,313
Assigned	13,569,152	-	-	-	13,569,152
Unassigned	16,829,941	-	-	-	16,829,941
Total Fund Balances	<u>40,099,414</u>	<u>134,003,083</u>	<u>80,141,185</u>	<u>38,101,619</u>	<u>292,345,301</u>
Total Liabilities and Fund Balances	<u>\$ 70,968,020</u>	<u>\$ 135,529,348</u>	<u>\$ 80,145,097</u>	<u>\$ 41,055,735</u>	<u>\$ 327,698,200</u>

## FREMONT UNIFIED SCHOOL DISTRICT

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2015

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<b>Total fund balances - governmental funds</b>				\$ 292,345,301
Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$494,658,905, and the accumulated depreciation is \$(191,803,911).				302,854,994
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:				(21,925,374)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:				(5,380,188)
Deferred amounts 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 amounts on refunding at the end of the period were:				9,004,812
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:				
	Net pension liability	247,250,955		
	General obligation bonds payable	323,522,213		
	Certificates of participation	55,989,533		
	Compensated absences payable	1,555,839		
	Capital leases payable	<u>8,444</u>	(628,326,984)	
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:				4,966
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred inflows and outflows relating to pensions for the period were:				
	Deferred outflows of resources		19,948,294	
	Deferred inflows of resources		<u>(69,012,432)</u>	
<b>Total net position - governmental activities</b>				<u><u>\$ (100,486,611)</u></u>

## FREMONT UNIFIED SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2015

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 236,740,305	\$ -	\$ -	\$ 1,693,865	\$ 238,434,170
Federal sources	11,688,973	-	-	6,225,466	17,914,439
Other state sources	38,432,570	-	-	10,909,605	49,342,175
Other local sources	13,025,887	207,830	1,211,459	40,103,932	54,549,108
	299,887,735	207,830	1,211,459	58,932,868	360,239,892
<b>EXPENDITURES</b>					
Current:					
Instruction	204,219,536	-	-	2,188,717	206,408,253
Instruction-related services:					
Supervision of instruction	11,283,587	-	-	432,409	11,715,996
Instructional library, media and technology	2,918,869	-	-	52,023	2,970,892
School site administration	20,662,133	-	-	224,435	20,886,568
Pupil support services:					
Home-to-school transportation	5,538,376	-	-	-	5,538,376
Food services	3,912	-	-	6,116,033	6,119,945
All other pupil services	9,803,839	-	-	18,294	9,822,133
Ancillary services	1,385,659	-	-	-	1,385,659
Community services	513,133	-	-	-	513,133
General administration services:					
Data processing services	4,363,122	-	-	-	4,363,122
Other general administration	9,870,529	-	-	13,273,608	23,144,137
Plant services	27,411,807	901,681	-	661,175	28,974,663
Transfers of indirect costs	(275,877)	-	-	275,877	-
Capital outlay	131,147	5,303,066	9,306	1,989,245	7,432,764
Intergovernmental transfers	5,031,751	-	-	-	5,031,751
Debt service:					
Principal	79,316	-	-	5,160,000	5,239,316
Interest	1,362	-	-	7,177,417	7,178,779
Issuance costs	-	-	1,270,955	449,613	1,720,568
	302,942,201	6,204,747	1,280,261	38,018,846	348,446,055
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,054,466)	(5,996,917)	(68,802)	20,914,022	11,793,837
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	674,506	-	-	33,313	707,819
Interfund transfers out	(33,313)	-	(674,506)	-	(707,819)
Proceeds from bond issuance	-	140,000,000	-	-	140,000,000
Proceeds from issuance of COPs	-	-	54,570,000	-	54,570,000
Premiums on debt issuance	-	-	1,419,533	2,837,955	4,257,488
	641,193	140,000,000	55,315,027	2,871,268	198,827,488
Total Other Financing Sources and Uses	641,193	140,000,000	55,315,027	2,871,268	198,827,488
Net Change in Fund Balances	(2,413,273)	134,003,083	55,246,225	23,785,290	210,621,325
Fund Balances, July 1, 2014	42,512,687	-	24,894,960	14,316,329	81,723,976
Fund Balances, June 30, 2015	\$ 40,099,414	\$ 134,003,083	\$ 80,141,185	\$ 38,101,619	\$ 292,345,301

# 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, 2015

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**Total net change in fund balances - governmental funds** \$ 210,621,325

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	9,067,344	
Depreciation expense	<u>(10,473,121)</u>	
Net:		(1,405,777)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(60,351)

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:

5,239,316

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:

(4,756,150)

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

(198,827,488)

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:

(2,564,445)

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:

1,474,498

Deferred amounts 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 amounts 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 amounts 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:

(213,483)

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

1,671

In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(1,518,174)

**Change in net position of governmental activities** \$ 7,375,254

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2015*

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	Governmental Activities <u>Internal Service Fund</u>
<b>ASSETS</b>	
Cash	\$ 85,430
Due from other funds	235,000
Accounts receivable	<u>59</u>
Total assets	<u>320,489</u>
<b>LIABILITIES</b>	
Accounts payable	8,624
Claims liabilities	<u>306,899</u>
Total liabilities	<u>315,523</u>
<b>NET POSITION</b>	
Restricted for insurance claims	<u><u>\$ 4,966</u></u>

**FREMONT UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2015*

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	<u>Governmental Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 235,000
Other revenues	<u>50</u>
Total operating revenues	235,050
<b>OPERATING EXPENSES</b>	
Services and other operating expenses	<u>233,796</u>
Operating Income (Loss)	1,254
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>417</u>
Change in net position	1,671
Net position, July 1, 2014	<u>3,295</u>
Net position, June 30, 2015	<u><u>\$ 4,966</u></u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2015*

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	Governmental Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	\$ 245,380
Cash received from other local sources	50
Cash payments for payroll, insurance and operating costs	<u>(212,520)</u>
Net cash used by operating activities	32,910
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>406</u>
Net decrease in cash	33,316
Cash, July 1, 2014	<u>52,114</u>
Cash, June 30, 2015	<u><u>\$ 85,430</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 1,254
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivables and amounts due from other funds	10,380
Increase in accounts payable and current liabilities	<u>21,276</u>
Net cash used by operating activities	<u><u>\$ 32,910</u></u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2015*

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	Agency Funds
	<u>Student Body Funds</u>
<b>Assets</b>	
Cash	\$ 2,027,525
Inventory	<u>50,559</u>
<b>Total Assets</b>	<u><u>\$ 2,078,084</u></u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 2,078,084</u>
<b>Total Liabilities</b>	<u><u>\$ 2,078,084</u></u>

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 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.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District and the Fremont Unified School District Financing Corporation have a financial and operational relationship which meets the reporting definition criteria of GASB Statement No. 14 for the inclusion as a component unit of the District.

Fremont Unified School District Financing Corporation (the "Corporation") was formed for the sole purpose of providing financial assistance to the District by financing the acquisition and construction of school facilities. The District leases certain school facilities from the Corporation under a lease-purchase agreement dated May 1, 2015. The Corporation is included in the reporting entity because the Governing Board composes the Board of the Corporation. Separate financial statements are not prepared.

#### 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.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

###### **Fund Financial Statements**

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

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

###### **Major Governmental Funds**

The District maintains the following major governmental funds:

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

**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.

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

**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.

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

## FREMONT UNIFIED SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2015*

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### Non-Major Governmental Funds (continued)

###### Special Revenue Funds (continued):

**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:

**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.

###### 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.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 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. 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.

##### 3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 1 – SUMMARY OF 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, Deferred Inflows of Resources, 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. Assets consisting of land, building, and equipment in the amount of \$71,900,000 have been pledged as collateral for the certificates of participation described in Note 7.

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, 2015

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 4. Unearned Revenue

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

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

###### 5. 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 two items that qualify for reporting in this category. The first item is to recognize contributions made to the pension plan after the measurement date of the net pension liability. The second is deferred amounts 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 two items that are reported as deferred inflows of resources. These items recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

###### 6. Compensated Absences

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

###### 7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 8. 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.

###### 9. 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".

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 9. Net Position (continued)

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. 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.

##### G. 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.

##### H. 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.

##### I. New GASB Pronouncements

During the 2014-15 fiscal year, the following GASB Pronouncements became effective:

###### 1. 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.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 1. Statement No. 68 (continued)

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.

##### 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.

##### 2. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 (Issued 11/13)*

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net position liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

## **FREMONT UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2015*

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **I. New GASB Pronouncements (continued)**

###### **2. Statement No. 71 (continued)**

At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

###### **3. Cumulative Effect of Change in Accounting Principle**

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards was to decrease the net position at July 1, 2014, by \$294,796,914, which is the amount of net pension liability, net of the deferred outflows of resources related to pensions at July 1, 2014.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 2 – CASH AND INVESTMENTS

Cash at June 30, 2015, is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Internal Service Fund	Total	
<b>Pooled Funds:</b>				
Cash in county treasury	\$ 252,137,932	\$ 85,430	\$ 252,223,362	\$ -
Total Pooled Funds	252,137,932	85,430	252,223,362	-
<b>Deposits:</b>				
Cash collections awaiting deposit	127,968	-	127,968	2,027,525
Cash in revolving fund	100,000	-	100,000	-
Cash with fiscal agent	54,718,623	-	54,718,623	-
Total Deposits	54,946,591	-	54,946,591	2,027,525
Total Cash	\$ 307,084,523	\$ 85,430	\$ 307,169,953	\$ 2,027,525
<b>Investments:</b>				
Local Agency Investment Fund	\$ 1,368,372	\$ -	\$ 1,368,372	

#### 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, 2015, 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, 2015

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

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

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2015, \$3,113,539 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, 2015, 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, 2015, 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, 2015, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:						
Categorical aid programs	\$ 3,606,246	\$ -	\$ -	\$ 1,934,133	\$ 5,540,379	\$ -
State Government:						
Lottery	3,319,864	-	-	21,041	3,340,905	-
Special education	-	-	-	131,994	131,994	-
Other state programs	3,067,536	-	-	479,016	3,546,552	-
Local:						
Interest	35,543	85,248	15,834	22,822	159,447	59
Miscellaneous	867,013	-	-	312,936	1,179,949	-
Total	<u>\$ 10,896,202</u>	<u>\$ 85,248</u>	<u>\$ 15,834</u>	<u>\$ 2,901,942</u>	<u>\$ 13,899,226</u>	<u>\$ 59</u>

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2015

**NOTE 4 – INTERFUND TRANSACTIONS**

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

Balances due/to other funds at June 30, 2015, consisted of the following:

	Due From Other Funds			Total Governmental Funds	Proprietary Fund	Total
	General Fund	Building Fund	Non-Major Governmental Funds			
General Fund	\$ -	\$ 13,858	\$ 53,993	\$ 67,851	\$ 235,000	\$ 302,851
Building Fund	15,631	-	-	15,631	-	15,631
Special Reserve Fund for Capital Outlay Projects	2,412	-	-	2,412	-	2,412
Non-Major Governmental Funds	501,838	-	-	501,838	-	501,838
<b>Total</b>	<b>\$ 519,881</b>	<b>\$ 13,858</b>	<b>\$ 53,993</b>	<b>\$ 587,732</b>	<b>\$ 235,000</b>	<b>\$ 822,732</b>

General Fund due to Charter School Fund for in-lieu property taxes and custodial services	\$ 6,279
General Fund due to Cafeteria Fund for bad debt payoff and snacks for meetings	2,279
General Fund due to Child Development Fund for Cal-Safe program and other costs	33,722
General Fund due to Building Fund for salaries and benefits	13,858
General Fund due to Capital Facilities Fund for legal fees	1,132
General Fund due to Self Insurance Fund for insurance contributions	235,000
General Fund due to Special Education Pass-Through Fund for overpayment of special education funds	10,581
Charter School Fund due to General Fund for indirect costs, postage, split day, technical support, and miscellaneous charges	65,191
Child Development Fund due to General Fund for indirect costs, salaries and benefits, and other miscellaneous charges	48,180
Cafeteria fund due to General Fund for indirect costs and other miscellaneous charges	238,251
Special Reserve Fund for Capital Outlay Projects due to General Fund for CFCS/T-mobile rent	2,412
Capital Facilities Fund due to General Fund for 3% administrative fee, postage, and legal fees	22,582
Building Fund due to General Fund for legal fees and postage	15,631
Special Education Pass-Through Fund due to General Fund for special education funds	127,634
<b>Total</b>	<b>\$ 822,732</b>

As of June 30, 2015, the District’s Adult Education Fund owed the General Fund \$141,885 for indirect costs and miscellaneous charges. The General Fund owed the Adult Education Fund \$3,228 for miscellaneous adjustments. 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 financial statements.

**B. Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended June 30, 2015, consisted of the following:

Special Reserve Fund for Capital Outlay Projects transfer to General Fund for rental revenue from Marshall site	\$ 674,506
General Fund transfer to Child Development Fund for Cal-Safe program	33,313
<b>Total</b>	<b>\$ 707,819</b>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2015

**NOTE 5 – FUND BALANCES**

At June 30, 2015, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Stores inventories	228,376	-	-	197,286	425,662
Prepaid expenditures	247,848	-	-	385	248,233
Total Nonspendable	576,224	-	-	197,671	773,895
<b>Restricted:</b>					
Categorical programs	9,124,097	-	-	1,517,277	10,641,374
Capital projects	-	134,003,083	80,141,185	4,157,635	218,301,903
Debt service	-	-	-	32,229,036	32,229,036
Total Restricted	9,124,097	134,003,083	80,141,185	37,903,948	261,172,313
<b>Assigned:</b>					
Additional 2% reserve	5,797,679	-	-	-	5,797,679
Medi-Cal administrative activities (MAA)	33,447	-	-	-	33,447
Mandated costs	257,535	-	-	-	257,535
Centerville JHS lunch shelter	14,743	-	-	-	14,743
Schools' facility use funds	477,643	-	-	-	477,643
SEIU professional growth	59,313	-	-	-	59,313
Emergency supplies projects	13,211	-	-	-	13,211
Advanced placement (AP)	10,929	-	-	-	10,929
Adult education program	3,241,178	-	-	-	3,241,178
Deferred maintenance program	3,663,474	-	-	-	3,663,474
Total Assigned	13,569,152	-	-	-	13,569,152
<b>Unassigned:</b>					
Reserve for economic uncertainties	5,797,679	-	-	-	5,797,679
Remaining unassigned balances	11,032,262	-	-	-	11,032,262
Total Unassigned	16,829,941	-	-	-	16,829,941
<b>Total</b>	<b>\$ 40,099,414</b>	<b>\$ 134,003,083</b>	<b>\$ 80,141,185</b>	<b>\$ 38,101,619</b>	<b>\$ 292,345,301</b>

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Original Balance, July 1, 2014	Adjustment for Restatement	Adjusted Balance, July 1, 2014	Additions	Retirements	Balance, June 30, 2015
<b>Capital assets not being depreciated:</b>						
Land	\$ 12,794,607	\$ -	\$ 12,794,607	\$ 219,812	\$ -	\$ 13,014,419
Construction in progress	2,753,836	(1,582,558)	1,171,278	7,836,813	451,349	8,556,742
Total capital assets not being depreciated	15,548,443	(1,582,558)	13,965,885	8,056,625	451,349	21,571,161
<b>Capital assets being depreciated:</b>						
Improvement of sites	45,480,476	-	45,480,476	-	-	45,480,476
Buildings	415,017,980	-	415,017,980	723,401	-	415,741,381
Equipment	11,672,566	-	11,672,566	738,667	545,346	11,865,887
Total capital assets being depreciated	472,171,022	-	472,171,022	1,462,068	545,346	473,087,744
<b>Accumulated depreciation for:</b>						
Improvement of sites	(25,444,626)	-	(25,444,626)	(1,524,374)	-	(26,969,000)
Buildings	(146,504,801)	-	(146,504,801)	(8,585,826)	-	(155,090,627)
Equipment	(9,866,358)	-	(9,866,358)	(362,921)	484,995	(9,744,284)
Total accumulated depreciation	(181,815,785)	-	(181,815,785)	(10,473,121)	484,995	(191,803,911)
Total capital assets being depreciated, net	290,355,237	-	290,355,237	(9,011,053)	1,030,341	281,283,833
<b>Governmental activity capital assets, net</b>	<b>\$ 305,903,680</b>	<b>\$ (1,582,558)</b>	<b>\$ 304,321,122</b>	<b>\$ (954,428)</b>	<b>\$ 1,481,690</b>	<b>\$ 302,854,994</b>

**FREMONT UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015***NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)**

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

**Governmental Activities:**

Instruction	\$ 6,977,829
Supervision of instruction	367,329
Instructional library, media, and technology	140,916
School site administration	767,895
Home-to-school transportation	225,835
Food services	242,001
All other pupil services	295,991
Ancillary services	46,924
Community services	21,749
All other general administration	337,320
Data processing services	63,241
Plant services	986,091
Total depreciation	<u>\$ 10,473,121</u>

**NOTE 7 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Balance, July 1, 2014*	Additions	Deductions	Balance, June 30, 2015	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 171,320,000	\$ 140,000,000	\$ 5,160,000	\$ 306,160,000	\$ 24,045,000
Unamortized premium	15,998,756	2,837,955	1,474,498	17,362,213	1,518,841
Total - Bonds	<u>187,318,756</u>	<u>142,837,955</u>	<u>6,634,498</u>	<u>323,522,213</u>	<u>25,563,841</u>
Certificates of Participation:					
Principal payments	-	54,570,000	-	54,570,000	-
Unamortized premium	-	1,419,533	-	1,419,533	47,318
Total - Bonds	<u>-</u>	<u>55,989,533</u>	<u>-</u>	<u>55,989,533</u>	<u>47,318</u>
Capital Leases	87,760	-	79,316	8,444	8,444
Other Postemployment Benefits	17,169,224	4,756,150	-	21,925,374	-
Compensated Absences	1,342,356	213,483	-	1,555,839	-
Net Pension Liability	312,610,606	-	65,359,651	247,250,955	-
Totals	<u>\$ 518,528,702</u>	<u>\$ 203,797,121</u>	<u>\$ 72,073,465</u>	<u>\$ 650,252,358</u>	<u>\$ 25,619,603</u>

\*The balance for the net pension liability as of July 1, 2014, has been restated due to the implementation of GASB Statement No. 68.

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Capital lease payments are made by the General Fund. Compensated absences will be paid for by the fund for which the employee worked. Payments for certificates of participation will be made by the Capital Facilities Fund and the Special Reserve Fund for Capital Outlay Projects.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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

#### A. General Obligation Bonds

##### Election of 2002

On March 5, 2002, another election was held where the registered voters in the District approved by a fifty-five percent majority the issuance and sale of \$157.2 million general obligation bonds. The bonds were issued to finance the modernization and repair of schools throughout the District. At June 30, 2015, 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, 2015, 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, 2015, the principal balance outstanding on the previously defeased debt amounted to \$30,005,000. Deferred amounts on refunding of \$9,004,812 remain to be amortized.

##### Election of 2014

On June 3, 2014, an election was held at which the requisite fifty-five percent or more of the registered voters of the District authorized the issuance and sale of \$650,000,000 general obligation bonds. The bonds were issued to repair, upgrade, acquire, construct, and equip certain District property and facilities and to pay the costs of issuing the bonds.

On December 9, 2014, the District issued Series A in the amount of \$140,000,000. The bonds were issued as follows: \$73,670,000 in serial bonds with stated interest rates of 4.0% and maturities ranging between August 1, 2015 and 2039, and \$66,330,000 in term bonds with stated interest rate of 4.0% and maturing on August 1, 2046.

A summary of outstanding general obligation bonds issued and outstanding as of June 30, 2015 is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2014	Additions	Deductions	Balance, June 30, 2015
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	33,705,000	-	4,900,000	28,805,000
2012Ref.	2/9/2012	8/1/2026	2.0%-5.0%	61,210,000	58,740,000	-	-	58,740,000
2012B Ref.	12/18/2012	8/1/2030	2.0%-5.0%	80,415,000	78,580,000	-	260,000	78,320,000
2014A	12/9/2014	8/1/2046	4.0%	140,000,000	-	140,000,000	-	140,000,000
					<u>\$ 171,320,000</u>	<u>\$ 140,000,000</u>	<u>\$ 5,160,000</u>	<u>\$ 306,160,000</u>

**FREMONT UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015*

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**NOTE 7 – GENERAL LONG-TERM DEBT (continued)****A. General Obligation Bonds (continued)**

The annual requirements to amortize general obligation bonds outstanding at June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2016	\$ 24,045,000	\$ 11,759,656	\$ 35,804,656
2016-2017	22,795,000	10,814,097	33,609,097
2017-2018	7,420,000	10,200,325	17,620,325
2018-2019	8,495,000	9,781,325	18,276,325
2019-2020	8,585,000	9,376,450	17,961,450
2020-2025	47,015,000	40,610,025	87,625,025
2025-2030	69,955,000	28,916,575	98,871,575
2030-2035	27,520,000	19,594,075	47,114,075
2035-2040	24,000,000	15,911,800	39,911,800
2040-2045	42,510,000	9,365,600	51,875,600
2045-2047	23,820,000	975,000	24,795,000
Total	<u>\$ 306,160,000</u>	<u>\$ 167,304,928</u>	<u>\$ 473,464,928</u>

**B. Capital Leases**

The District leases certain equipment valued at \$421,132 under agreements that provide for title to pass upon expiration of the lease period. There is one remaining payment as of June 30, 2015, for \$8,910, of this amount, \$466 represents interest. The final payment will be made during the 2015-16 fiscal year. The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

**C. Certificates of Participation**

On May 27, 2015, the District issued \$54,570,000 in certificates of participation through the Fremont Unified School District Financing Corporation for the purpose of providing funds for the construction and improvement of certain school facilities. The certificates consist of serial certificates for \$30,735,000 with interest rates ranging between 3.25%-5.0% with maturity dates through August 1, 2035. Additionally, term certificates of \$12,200,000 and \$11,635,000 with interest rates of 4.096% and 4.148%, respectively. The Term certificates mature on August 1, 2040 and August 1, 2044. The net proceeds of \$54,718,578 (after issuance costs of \$1,270,955 and premium of \$1,419,533) will be used to purchase a site for a future school, purchase a municipal bond debt service reserve insurance policy, and pay the costs related to issuance.

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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

##### C. Certificates of Participation (continued)

The annual requirements to amortize the certificates are as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ -	\$ 1,518,602	\$ 1,518,602
2016-2017	965,000	2,216,437	3,181,437
2017-2018	1,015,000	2,166,937	3,181,937
2018-2019	1,065,000	2,114,937	3,179,937
2019-2020	1,115,000	2,060,437	3,175,437
2020-2025	6,485,000	9,383,689	15,868,689
2025-2030	8,170,000	7,694,198	15,864,198
2030-2035	9,750,000	6,102,129	15,852,129
2035-2040	11,735,000	4,061,388	15,796,388
2040-2045	14,270,000	1,471,600	15,741,600
Total	\$ 54,570,000	\$ 38,790,354	\$ 93,360,354

#### 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, 2014, is as follows:

	Northern California ReLiEF	ACSIG	Mission Valley ROP	SEWUP
Assets	\$ 65,717,062	\$ 33,646,460	\$ 12,856,678	\$ 16,962,655
Liabilities	59,524,485	33,839,130	466,548	13,988,830
Net Position	\$ 6,192,577	\$ (192,670)	\$ 12,390,130	\$ 2,973,825
Revenues	\$ 17,174,787	\$ 135,004,993	\$ 7,400,667	\$ 9,269,254
Expenses	36,589,715	130,454,306	6,864,823	10,378,711
Operating Income	(19,414,928)	4,550,687	535,844	(1,109,457)
Non-Operating Income	570,695	256,449	-	224,063
Change in Net Position	\$ (18,844,233)	\$ 4,807,136	\$ 535,844	\$ (885,394)

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### 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, 2015, the District had commitments with respect to unfinished capital projects of approximately \$18.9 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, 2015.

### 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, 2015, 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 2014-15, 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 and liability claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses).

The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2015:

	Liability Claims
Liability Balance, July 1, 2013	\$ 125,001
Claims and changes in estimates	404,386
Claims payments	(246,484)
Liability Balance, July 1, 2014	282,903
Claims and changes in estimates	253,586
Claims payments	(229,590)
Liability Balance, June 30, 2015	306,899
Assets available to pay claims at June 30, 2015	\$ 320,489

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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#### NOTE 11 – PENSION 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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of California Public Employees' Retirement System (CalPERS).

##### A. General Information about the Pension Plans

###### Plan Descriptions

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. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also 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. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

###### Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2015*

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**NOTE 11 – PENSION PLANS (continued)**

**A. General Information about the Pension Plans (continued)**

**Benefits Provided (continued)**

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

**Contributions**

Active CalSTRS plan members were required to contribute 8.15% of their salary in 2014-15. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2014-15 was 11.771%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Employer contributions	\$ 14,261,259	\$ 5,723,705
Employee contributions paid by employer	\$ -	\$ -

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 199,854,540
CalPERS	47,396,415
Total Net Pension Liability	<u>\$ 247,250,955</u>

**FREMONT UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015***NOTE 11 – PENSION PLANS (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS*	CalPERS
Proportion - June 30, 2013	0.3420%	0.4421%
Proportion - June 30, 2014	0.3420%	0.4175%
Change - Increase (Decrease)	0.0000%	-0.0246%

\* The District's proportionate share percentage was not separately determined for June 30, 2013, so the June 30, 2014, percentage was used to calculate the beginning amounts.

For the year ended June 30, 2015, the District recognized pension expense of \$21,466,473. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 19,948,294	\$ -
Adjustment due to differences in proportions	-	(3,512,693)
Net differences between projected and actual earnings on plan investments	-	(65,499,739)
	<u>\$ 19,948,294</u>	<u>\$ (69,012,432)</u>

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2015*

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**NOTE 11 – PENSION PLANS (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The total amount of \$19,948,294 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Amount
June 30,	
2016	\$ (14,792,418)
2017	(14,792,418)
2018	(14,792,418)
2019	-
2020	-
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.50%
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Post-retirement Benefit Increase	2.00%	-
Investment Rate of Return	7.60%	7.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – for CalSTRS

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

## FREMONT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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#### NOTE 11 – PENSION PLANS (continued)

##### B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

###### *Discount Rate* – for CalSTRS (continued)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

###### *Discount Rate* – for CalPERS

The discount rate used to measure the total pension liability was 7.50% for CalPERS. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

**FREMONT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2015

**NOTE 11 – PENSION PLANS (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

**Discount Rate** – for CalPERS (continued)

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	47%	4.5%	5.7%
Global Fixed Income	N/A	19%	N/A	2.4%
Inflation Sensitive	5%	6%	3.2%	3.4%
Private Equity	12%	12%	6.2%	7.0%
Real Estate	15%	11%	4.4%	5.1%
Infrastructure and Forestland	N/A	3%	N/A	5.1%
Fixed Income	20%	N/A	0.2%	N/A
Liquidity	1%	2%	0.0%	-1.1%
	<u>100%</u>	<u>100%</u>		

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 311,520,960	\$ 83,144,132
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 199,854,540	\$ 47,396,415
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 106,745,040	\$ 17,525,594

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

# FREMONT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 11 – PENSION PLANS (continued)

#### C. Payable to the Pension Plans

At June 30, 2015, the District reported a payable of \$2,783,965 and \$846,031 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2015.

### 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 *	1,102
Active plan members *	2,722
Total	<u>3,824</u>

\* As of July 1, 2014, 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 2014-15, the District contributed \$3,598,606.

#### 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, 2015

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#### 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)	\$ 8,660,885
Interest on net OPEB obligation	686,769
Adjustment to ARC	<u>(992,898)</u>
Annual OPEB cost	8,354,756
Contributions made	<u>(3,598,606)</u>
Increase in net OPEB obligation	4,756,150
Net OPEB obligation - July 1, 2014	17,169,224
Net OPEB obligation - June 30, 2015	<u>\$ 21,925,374</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-15 and the two preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 7,741,852	42%	\$ 12,874,958
2014	\$ 7,662,044	44%	\$ 17,169,224
2015	\$ 8,354,756	43%	\$ 21,925,374

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

As of July 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$76.5 million and the unfunded actuarial accrued liability (UAAL) was \$76.5 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, 2015*

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**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions (continued)**

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected unit credit
Amortization Method	30 years, level dollar, open period
Remaining Amortization Period	23 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4%
Healthcare cost trend rates:	
Dental	4%
Medical / Rx	5% - 8%

**NOTE 13 – ADJUSTMENTS FOR RESTATEMENTS**

The beginning net position on the statement of activities was restated by (\$296,379,472). The restatement is due to errors identified in the capital asset records in the amount of (\$1,582,558) and due to the implementation of GASB Statement No. 68 in the amount of (\$294,796,914).

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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, 2015*

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
LCFF Sources	\$ 230,969,896	\$ 232,509,882	\$ 232,811,221	\$ 301,339
Federal Sources	11,140,970	12,891,273	11,155,726	(1,735,547)
Other State Sources	27,073,010	30,394,584	30,417,720	23,136
Other Local Sources	7,818,736	12,110,292	12,261,435	151,143
<b>Total Revenues</b>	<b>277,002,612</b>	<b>287,906,031</b>	<b>286,646,102</b>	<b>(1,259,929)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	161,625,278	162,047,520	161,979,147	68,373
Classified Salaries	47,022,136	48,021,972	47,941,631	80,341
Employee Benefits	35,433,096	34,867,636	34,771,196	96,440
Books and Supplies	15,517,032	16,589,768	12,383,427	4,206,341
Services and Other Operating Expenditures	23,096,570	28,207,768	27,283,096	924,672
Capital Outlay	213,298	1,042,458	786,906	255,552
Intergovernmental	4,280,558	4,621,638	4,615,541	6,097
Debt Service	38,300	35,846	35,846	-
<b>Total Expenditures</b>	<b>287,226,268</b>	<b>295,434,606</b>	<b>289,796,790</b>	<b>5,637,816</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,223,656)	(7,528,575)	(3,150,688)	4,377,887
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	655,327	674,506	674,506	-
Interfund Transfers Out	(200,000)	(100,000)	(33,313)	66,687
<b>Total Other Financing Sources and Uses</b>	<b>455,327</b>	<b>574,506</b>	<b>641,193</b>	<b>66,687</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)				
Net Change in Fund Balance	(9,768,329)	(6,954,069)	(2,509,495)	4,444,574
Fund Balances, July 1, 2014	35,609,862	35,609,862	35,609,862	-
Fund Balances, June 30, 2015	<u>\$ 25,841,533</u>	<u>\$ 28,655,793</u>	<u>\$ 33,100,367</u>	<u>\$ 4,444,574</u>

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

\*On-behalf payments of \$7,933,032 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but are not included in the actual amounts above.

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Funding Progress*  
*For the Fiscal Year Ended June 30, 2015*

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 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%
July 1, 2014	\$ -	\$ 76,521,608	\$76,521,608	0.0%	\$201,406,493	37.99%

**FREMONT UNIFIED SCHOOL DISTRICT**

*Schedule of Proportionate Share of the Net Pension Liability  
For the Fiscal Year Ended June 30, 2015*

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Last Ten Fiscal Years\*

	<u>2014</u>
District's proportion of the net pension liability (asset):	
CalSTRS	0.3420%
CalPERS	0.4175%
District's proportionate share of the net pension liability (asset):	
CalSTRS	\$ 199,854,540
CalPERS	\$ 47,396,415
District's covered-employee payroll:	
CalSTRS	\$ 145,868,412
CalPERS	\$ 43,927,556
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	
CalSTRS	137.0%
CalPERS	107.9%
Plan fiduciary net position as a percentage of the total pension liability:	
CalSTRS	76.5%
CalPERS	83.4%

\* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Contributions*  
*For the Fiscal Year Ended June 30, 2015*

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Last Ten Fiscal Years\*

	<u>2014</u>
Actuarially determined contribution:	
CalSTRS	\$ 12,034,144
CalPERS	\$ 5,026,191
Contributions in relation to the actuarially determined contribution:	
CalSTRS	\$ 12,034,144
CalPERS	<u>\$ 5,026,191</u>
Contribution deficiency (excess):	
CalSTRS	\$ -
CalPERS	<u><u>\$ -</u></u>
District's covered-employee payroll:	
CalSTRS	\$ 145,868,412
CalPERS	\$ 43,927,556
Contributions as a percentage of covered-employee payroll:	
CalSTRS	8.25%
CalPERS	11.442%

\* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

## **FREMONT UNIFIED SCHOOL DISTRICT**

### *Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2015*

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#### **NOTE 1 – PURPOSE OF SCHEDULES**

##### **Budgetary Comparison Schedule**

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

##### **Schedule of Funding Progress**

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

##### **Schedule of Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

##### **Schedule of Contributions**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

#### **NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2015, the District did not incur any excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule.

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***Supplementary Information***

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**FREMONT UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2015*

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

The Board of Education and the District Administrators for the fiscal year ended June 30, 2015, were as follows:

**BOARD OF EDUCATION**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Desrie Campbell	President	2016
Ann Crosbie	Vice-President	2016
Larry Sweeney	Clerk	2018
Michele Berke	Member	2016
Yang Shao	Member	2018

**DISTRICT ADMINISTRATORS**

James Morris, Ed.D.,  
*Superintendent*

Raul A. Parungao,  
*Associate Superintendent*

Raul Zamora, Ed.D.,  
*Assistant Superintendent, Human Resources*

Kim Wallace, Ed.D.,  
*Assistant Superintendent, Instructional Services*

**FREMONT UNIFIED SCHOOL DISTRICT**

*Combining Balance Sheet - Non-Major Governmental Funds*

*June 30, 2015*

	Charter School Special Revenue Fund	Special Education Pass-Through 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
<b>ASSETS</b>									
Cash	\$ 740,291	\$ 197	\$ 94,818	\$ 588,343	\$ 4,051,926	\$ 15,857	\$ 201,247	\$ 32,209,450	\$ 37,902,129
Accounts receivable	121,845	1,932,961	87,778	487,283	252,353	10	126	19,586	2,901,942
Due from other funds	6,279	10,581	33,722	2,279	1,132	-	-	-	53,993
Inventories	-	-	-	197,286	-	-	-	-	197,286
Prepaid expenditures	385	-	-	-	-	-	-	-	385
<b>Total Assets</b>	<b>\$ 868,800</b>	<b>\$ 1,943,739</b>	<b>\$ 216,318</b>	<b>\$ 1,275,191</b>	<b>\$ 4,305,411</b>	<b>\$ 15,867</b>	<b>\$ 201,373</b>	<b>\$ 32,229,036</b>	<b>\$ 41,055,735</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	\$ 32,015	\$ 1,816,105	\$ 32,900	\$ 228,824	\$ 145,704	\$ -	\$ 196,730	\$ -	\$ 2,452,278
Due to other funds	65,191	127,634	48,180	238,251	22,582	-	-	-	501,838
<b>Total Liabilities</b>	<b>97,206</b>	<b>1,943,739</b>	<b>81,080</b>	<b>467,075</b>	<b>168,286</b>	<b>-</b>	<b>196,730</b>	<b>-</b>	<b>2,954,116</b>
<b>Fund Balances</b>									
Nonspendable	385	-	-	197,286	-	-	-	-	197,671
Restricted	771,209	-	135,238	610,830	4,137,125	15,867	4,643	32,229,036	37,903,948
<b>Total Fund Balances</b>	<b>771,594</b>	<b>-</b>	<b>135,238</b>	<b>808,116</b>	<b>4,137,125</b>	<b>15,867</b>	<b>4,643</b>	<b>32,229,036</b>	<b>38,101,619</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 868,800</b>	<b>\$ 1,943,739</b>	<b>\$ 216,318</b>	<b>\$ 1,275,191</b>	<b>\$ 4,305,411</b>	<b>\$ 15,867</b>	<b>\$ 201,373</b>	<b>\$ 32,229,036</b>	<b>\$ 41,055,735</b>

## FREMONT UNIFIED SCHOOL DISTRICT

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds June 30, 2015

	Charter School Special Revenue Fund	Special Education Pass-Through 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
<b>REVENUES</b>									
LCFF Sources	\$ 1,693,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,693,865
Federal sources	-	3,350,469	-	2,874,997	-	-	-	-	6,225,466
Other state sources	213,961	9,423,335	849,118	187,598	-	-	235,593	-	10,909,605
Other local sources	16,067	-	289,392	3,016,809	3,661,382	47	593	33,119,642	40,103,932
<b>Total Revenues</b>	<b>1,923,893</b>	<b>12,773,804</b>	<b>1,138,510</b>	<b>6,079,404</b>	<b>3,661,382</b>	<b>47</b>	<b>593</b>	<b>33,355,235</b>	<b>58,932,868</b>
<b>EXPENDITURES</b>									
Current:									
Instruction	1,488,482	-	700,235	-	-	-	-	-	2,188,717
Supervision of instruction	12,019	-	420,390	-	-	-	-	-	432,409
Instructional library, media and technology	52,023	-	-	-	-	-	-	-	52,023
School site administration	224,435	-	-	-	-	-	-	-	224,435
Pupil Support Services:									
Food services	-	-	-	6,116,033	-	-	-	-	6,116,033
All other pupil services	18,294	-	-	-	-	-	-	-	18,294
General Administration Services:									
Other general administration	86,633	12,773,804	-	-	413,171	-	-	-	13,273,608
Plant services	28,426	-	1,800	36,865	594,084	-	-	-	661,175
Transfers of indirect costs	-	-	43,204	232,673	-	-	-	-	275,877
Capital outlay	8,411	-	-	-	1,980,834	-	-	-	1,989,245
Debt Service:									
Principal	-	-	-	-	-	-	-	5,160,000	5,160,000
Interest	-	-	-	-	-	-	-	7,177,417	7,177,417
Issuance Costs	-	-	-	-	-	-	-	449,613	449,613
<b>Total Expenditures</b>	<b>1,918,723</b>	<b>12,773,804</b>	<b>1,165,629</b>	<b>6,385,571</b>	<b>2,988,089</b>	<b>-</b>	<b>-</b>	<b>12,787,030</b>	<b>38,018,846</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,170	-	(27,119)	(306,167)	673,293	47	593	20,568,205	20,914,022
<b>OTHER FINANCING SOURCES (USES)</b>									
Interfund transfers in	-	-	33,313	-	-	-	-	-	33,313
Premium on debt issuance	-	-	-	-	-	-	-	2,837,955	2,837,955
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>33,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,837,955</b>	<b>2,871,268</b>
<b>Net Change in Fund Balances</b>	<b>5,170</b>	<b>-</b>	<b>6,194</b>	<b>(306,167)</b>	<b>673,293</b>	<b>47</b>	<b>593</b>	<b>23,406,160</b>	<b>23,785,290</b>
Fund Balances, July 1, 2014	766,424	-	129,044	1,114,283	3,463,832	15,820	4,050	8,822,876	14,316,329
<b>Fund Balances, June 30, 2015</b>	<b>\$ 771,594</b>	<b>\$ -</b>	<b>\$ 135,238</b>	<b>\$ 808,116</b>	<b>\$ 4,137,125</b>	<b>\$ 15,867</b>	<b>\$ 4,643</b>	<b>\$ 32,229,036</b>	<b>\$ 38,101,619</b>

See accompanying note to supplementary information.

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Combining Balance Sheet - General Fund*  
*June 30, 2015*

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund <sup>1</sup>
<b>ASSETS</b>				
Cash	\$ 46,463,935	\$ 3,411,034	\$ 3,747,920	\$ 53,622,889
Investments	1,368,372	-	-	1,368,372
Accounts receivable	10,727,223	166,942	2,037	10,896,202
Due from other funds	661,766	3,228	-	664,994
Inventories	228,376	-	-	228,376
Prepaid expenditures	4,287,675	44,625	-	4,332,300
<b>Total Assets</b>	<b>\$ 63,737,347</b>	<b>\$ 3,625,829</b>	<b>\$ 3,749,957</b>	<b>\$ 71,113,133</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 30,159,476	\$ 145,981	\$ 86,483	\$ 30,391,940
Unearned revenue	171,425	2,390	-	173,815
Due to other funds	306,079	141,885	-	447,964
<b>Total Liabilities</b>	<b>30,636,980</b>	<b>290,256</b>	<b>86,483</b>	<b>31,013,719</b>
<b>Fund Balances</b>				
Nonspendable	531,599	44,625	-	576,224
Restricted	9,074,327	49,770	-	9,124,097
Assigned	6,664,500	3,241,178	3,663,474	13,569,152
Unassigned	16,829,941	-	-	16,829,941
<b>Total Fund Balances</b>	<b>33,100,367</b>	<b>3,335,573</b>	<b>3,663,474</b>	<b>40,099,414</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 63,737,347</b>	<b>\$ 3,625,829</b>	<b>\$ 3,749,957</b>	<b>\$ 71,113,133</b>

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

**FREMONT UNIFIED SCHOOL DISTRICT***Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
General Fund**June 30, 2015*

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Total General Fund
<b>REVENUES</b>				
LCFF sources	\$ 232,811,221	\$ 2,927,126	\$ 1,001,958	\$ 236,740,305
Federal sources	11,155,726	533,247	-	11,688,973
Other state sources	38,350,752	81,818	-	38,432,570
Other local sources	12,261,435	755,505	8,947	13,025,887
Total Revenues	294,579,134	4,297,696	1,010,905	299,887,735
<b>EXPENDITURES</b>				
Current:				
Instruction	201,676,801	2,542,735	-	204,219,536
Supervision of instruction	11,231,277	52,310	-	11,283,587
Instructional library, media and technology	2,914,690	4,179	-	2,918,869
School site administration	19,396,735	1,265,398	-	20,662,133
Pupil Support Services:				
Home-to-school transportation	5,538,376	-	-	5,538,376
Food services	3,912	-	-	3,912
All other pupil services	9,803,839	-	-	9,803,839
General Administration Services:				
Data processing	4,363,122	-	-	4,363,122
Other general administration	9,870,529	-	-	9,870,529
Plant services	26,318,236	281,301	812,270	27,411,807
Ancillary services	1,385,659	-	-	1,385,659
Community services	513,133	-	-	513,133
Transfers of indirect costs	(416,210)	140,333	-	(275,877)
Capital outlay	17,294	-	113,853	131,147
Intergovernmental	5,031,751	-	-	5,031,751
Debt service:				
Principal	79,316	-	-	79,316
Interest	1,362	-	-	1,362
Total Expenditures	297,729,822	4,286,256	926,123	302,942,201
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,150,688)	11,440	84,782	(3,054,466)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	674,506	-	-	674,506
Interfund transfers out	(33,313)	-	-	(33,313)
Total Other Financing Sources and Uses	641,193	-	-	641,193
Net Change in Fund Balances	(2,509,495)	11,440	84,782	(2,413,273)
Fund Balances, July 1, 2014	35,609,862	3,324,133	3,578,692	42,512,687
Fund Balances, June 30, 2015	\$ 33,100,367	\$ 3,335,573	\$ 3,663,474	\$ 40,099,414

**FREMONT UNIFIED SCHOOL DISTRICT**

*Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2015*

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FREMONT UNIFIED SCHOOL DISTRICT

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	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. (E4F9D775)	Certificate No. (AB5DD383)
<b>Regular ADA:</b>		
Transitional Kindergarten through Third	10,681.79	10,683.82
Fourth through Sixth	7,900.32	7,889.43
Seventh through Eighth	4,746.03	4,743.74
Ninth through Twelfth	9,576.10	9,561.99
	<hr/>	<hr/>
Total Regular ADA	32,904.24	32,878.98
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Transitional Kindergarten through Third	39.00	39.13
Fourth through Sixth	20.34	20.39
Seventh through Eighth	19.73	19.35
Ninth through Twelfth	47.36	46.51
	<hr/>	<hr/>
Total Special Education, Nonpublic, Nonsectarian Schools	126.43	125.38
	<hr/>	<hr/>
Total ADA	33,030.67	33,004.36
	<hr/> <hr/>	<hr/> <hr/>

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CIRCLE OF INDEPENDENT LEARNING CHARTER SCHOOL

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	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. (E749BA80)	Certificate No. (D5C25FD7)
<b>Nonclassroom-Based ADA:</b>		
Transitional Kindergarten through Third	29.50	29.33
Fourth through Sixth	43.49	43.53
Seventh through Eighth	43.03	43.37
Ninth through Twelfth	122.66	121.42
	<hr/>	<hr/>
Total Nonclassroom-Based ADA	238.68	237.65
	<hr/> <hr/>	<hr/> <hr/>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2015*

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Grade Level	Requirement		2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	35,800	179	Complied
Grade 1	50,400	49,000	50,987	179	Complied
Grade 2	50,400	49,000	50,987	179	Complied
Grade 3	50,400	49,000	50,987	179	Complied
Grade 4	54,000	52,500	53,639	179	Complied
Grade 5	54,000	52,500	53,639	179	Complied
Grade 6	54,000	52,500	53,639	179	Complied
Grade 7	54,000	52,500	56,889	177**	Complied
Grade 8	54,000	52,500	56,889	177**	Complied
Grade 9	64,800	63,000	64,389	179	Complied
Grade 10	64,800	63,000	64,389	179	Complied
Grade 11	64,800	63,000	64,389	179	Complied
Grade 12	64,800	63,000	64,389	179	Complied

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

\*\* Thornton Middle School operated 179 days, however, two days failed to meet the minimum daily instructional minute requirement, and are therefore not included in the total number of days.

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

General Fund	(Budget) 2016 <sup>3</sup>	2015 <sup>4</sup>	2014	2013
Revenues and other financing sources	\$ 326,709,976	\$ 287,320,608	\$ 270,567,787	\$ 253,101,539
Expenditures	308,242,588	289,796,790	267,786,390	256,291,262
Other uses and transfers out	100,000	33,313	43,400	-
Total outgo	<u>308,342,588</u>	<u>289,830,103</u>	<u>267,829,790</u>	<u>256,291,262</u>
Change in fund balance (deficit)	<u>18,367,388</u>	<u>(2,509,495)</u>	<u>2,737,997</u>	<u>(3,189,723)</u>
Ending fund balance	<u>\$ 51,467,755</u>	<u>\$ 33,100,367</u>	<u>\$ 35,609,862</u>	<u>\$ 32,871,865</u>
Available reserves <sup>1</sup>	<u>\$ 9,147,303</u>	<u>\$ 16,829,941</u>	<u>\$ 17,182,195</u>	<u>\$ 15,954,664</u>
Total available reserves as a percentage of total outgo	<u>3.0%</u>	<u>5.8%</u>	<u>6.4%</u>	<u>6.2%</u>
Additional assigned 2% reserve <sup>6</sup>	<u>\$ 6,166,852</u>	<u>\$ 5,797,679</u>	<u>\$ 5,356,596</u>	<u>\$ 5,125,826</u>
Total long-term debt <sup>5</sup>	<u>\$ 624,632,755</u>	<u>\$ 650,252,358</u>	<u>\$ 518,528,702</u>	<u>\$ 212,013,063</u>
Average daily attendance at P-2 <sup>2</sup>	<u>33,400</u>	<u>33,031</u>	<u>32,725</u>	<u>32,251</u>

The General Fund balance has increased by approximately \$0.2 million over the past two years. The fiscal year 2015-16 adopted budget projects an increase of approximately \$18.4 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, but does not anticipate incurring an operating deficit during the 2015-16 fiscal year. Long-term debt has increased by over \$438.2 million over the past two years.

Average daily attendance has increased by 780 over the past two years. An increase of 369 ADA is anticipated during fiscal year 2015-16.

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

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

<sup>3</sup> Revised Budget September, 2015.

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

On-behalf payments of \$7,933,032 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but are not included in the actual amounts above.

<sup>5</sup> Governmental activities, as restated.

<sup>6</sup> The District has designated an additional 2% reserve for economic uncertainties, which is shown as an assigned balance in Note 5.

**FREMONT UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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	<u>Building Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>
June 30, 2015, annual financial and budget report fund balances	\$ 135,567,155	\$ 25,422,562
Adjustments and reclassifications:		
Other current assets overstated	(1,564,072)	-
Cash with fiscal agent understated	<u>-</u>	<u>54,718,623</u>
June 30, 2015, reported financial statement fund balances	<u>\$ 134,003,083</u>	<u>\$ 80,141,185</u>

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2015*

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	\$ 280,419	
National School Lunch Program	10.555	13523	2,188,601	
USDA Donated Foods	10.555	N/A	405,977	
Subtotal Child Nutrition Cluster				\$ 2,874,997
Total U.S. Department of Agriculture				2,874,997
U.S. Department of Education:				
Indian Education				
	84.060	1011		43,560
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster				
Adult Basic Education & ESL	84.002A	14508	297,590	
Adult Secondary Education	84.002	13978	62,432	
English Literacy & Civics Education Local Grant	84.002A	14109	173,225	
Subtotal Adult Basic Education Cluster				533,247
No Child Left Behind (NCLB):				
Title I, Part A, Cluster				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,557,331	
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14955	148,933	
Subtotal Title I, Part A, Cluster				2,706,264
Migrant Education Cluster				
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	35,582	
Title I, Migrant Ed, Summer Program	84.011	10005	16,789	
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	24,815	
Subtotal Migrant Education Cluster				77,186
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330B	14831		13,505
Title II, Part A, Teacher Quality Local	84.367	14341		403,054
English Language Acquisition Grant Cluster				
Title III, Limited English Proficiency	84.365	14346	865,782	
Title III, Immigrant Education Program	84.365	15146	98,793	
Subtotal English Language Acquisition Grant Cluster				964,575
Carl Perkins Act - Secondary	84.048	14894		175,523
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Local Assistance Entitlement	84.027	13379	7,902,923	
Mental Health Allocation Plan, Part B, Sec. 611	84.027	14468	113,763	
Local Assistance, Part B, Sec. 611, Private School ISPs	84.027	10115	303,389	
Preschool Grants, Part B, Sec. 619 (Age 3-4-5)	84.173	13430	537,236	
Preschool Local Entitlement, Part B	84.173A	13682	589,656	
Preschool Staff Development	84.173A	13431	2,105	
Subtotal Special Education (IDEA) Cluster				9,449,072
IDEA Early Intervention Grants, Part C	84.181	23761		211,330
Workability II, Transition	84.158	10006		247,592
Total U.S. Department of Education				14,824,908
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		214,535
Total U.S. Department of Health & Human Services				214,535
Total Expenditures of Federal Awards				\$ 17,914,440

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Charter Schools*  
*For the Fiscal Year Ended June 30, 2015*

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

# FREMONT UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2015

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## NOTE 1 – PURPOSE OF SCHEDULES

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

The District has 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.

### 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 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	\$ 1,833,191	\$ 929,887	\$ 2,763,078
Local Assistance, Part B, Sec. 611, Private School ISPs	84.027	15,998	21,331	37,329
Preschool Grants, Part B, Sec. 619 (Age 3-4-5)	84.173	79,884	42,491	122,375
Preschool Local Entitlement, Part B	84.173A	141,457	75,243	216,700
Mental Health Allocation Plan, Part B, Sec. 611	84.027	139,622	70,516	210,138
Preschool Staff Development	8.173A	554	295	849
		<u>\$ 2,210,706</u>	<u>\$ 1,139,763</u>	<u>\$ 3,350,469</u>

### Schedule of Charter Schools

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

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***Other Independent Auditors' Reports***

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

Board of Education  
Fremont Unified School District  
Fremont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District as of and for the year ended June 30, 2015, 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 14, 2015.

**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.

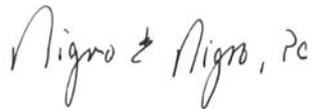
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 cursive script that reads "Nigro & Nigro, PC".

Murrieta, California  
December 14, 2015

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education  
Fremont Unified School District  
Fremont, California

### **Report on State Compliance**

We have audited Fremont Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Fremont Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2015.

### **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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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.

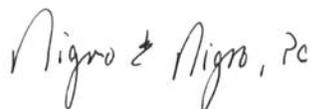
In connection with the audit referred to on the prior page, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	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 2014-15.

***Unmodified 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, 2015.



Murrieta, California  
December 14, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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, 2015. 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, 2015.

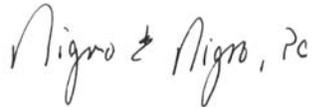
### **Report on Internal Control Over Compliance**

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 14, 2015

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***Findings and Questioned Costs***

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**FREMONT UNIFIED SCHOOL DISTRICT**  
*Summary of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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

***Financial Statements***

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</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>None reported</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>
10.553, 10.555	Child Nutrition Cluster (NSLP)
84.010	Title I, Part A, Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 537,433</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

***There were no financial statement findings in 2014-15.***

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

*There were no federal award findings or questioned costs in 2014-15.*

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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

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

*There were no state award findings or questioned costs in 2014-15.*

**FREMONT UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2015*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2014-1: Unduplicated Pupil Count</i>	<p>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:</p> <ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ Have an English Language Acquisition Status of "English learner" (EL) that is effective over Census Day</li> <li>▪ Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS</li> <li>▪ Be identified as a foster youth based on a statewide match conducted by CALPADS</li> <li>▪ 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)</li> </ul> <p>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.</p>	40000	<p>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.</p>	Implemented.

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

In planning and performing our audit of the basic financial statements of Fremont Unified School District for the year ending June 30, 2015, 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 14, 2015, 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 85 where the invoice was dated prior to the approval of a purchase order. 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.

#### **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.

**Observation:** During our review of cash disbursements, we noted that several disbursements lacked supporting documentation.

**Recommendation:** Issuing payment without supporting documentation can provide the opportunity for the misappropriation of student funds. We recommend that the site require all appropriate supporting documentation be submitted prior to issuing payment to ensure that student funds are being properly spent.

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

**Observation:** During our review of cash disbursements at several sites, we noted disbursements that appear to be unallowable or questionable ASB expenses. These expenses were for classroom supplies, general administration costs, substitute pay 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:** During our review of club accounts, we noted accounts for PSAT and AP testing fees, Administration, Technology, Career Center, Headstart, Rental Fees, and Field Trip Payments. The accounts appear to serve as a clearance fund for the District and are not a club which is operated by students. ASB accounts are not and should not be used as pass-through or clearing accounts for District funds. Accepting District funds into the ASB account is also considered commingling of funds.

**Recommendation:** We recommend that the site forward all District funds to the District for receipt or open a separate clearing account for funds to be transferred to the District on a monthly basis.

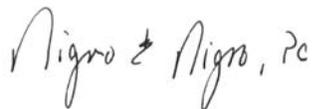
**Observation:** During our review of cash receipts, we noted several cash receipts were not deposited in a timely manner. Collected checks were dated up to a month prior to being deposited to the bank.

**Recommendation:** We recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because many thefts often occur during these times.

**Observation:** During our documentation of internal controls, we noted that several elementary ASB bookkeepers are signers on the bank account. This creates a lack of segregation of duties.

**Recommendation:** Good internal controls include segregating 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. Those who record the transaction should be separate from those who authorize and execute the transaction. We therefore recommend that the bookkeepers be removed as authorized signers on the ASB bank accounts.

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



Murrieta, California  
December 14, 2015