

**FREMONT UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2011**

FREMONT UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2011

FINANCIAL SECTION

| | |
|---|----|
| Independent Auditors' Report | 2 |
| Management's Discussion and Analysis | 4 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Assets | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements | |
| Governmental Funds - Balance Sheet | 16 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 17 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances | 18 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 19 |
| Proprietary Funds - Statement of Net Assets | 21 |
| Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets | 22 |
| Proprietary Funds - Statement of Cash Flows | 23 |
| Fiduciary Funds - Statement of Net Assets | 24 |
| Notes to Financial Statements | 25 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| General Fund - Budgetary Comparison Schedule | 53 |
| Schedule of Other Postemployment Benefits (OPEB) Funding Progress | 54 |

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Schedule of Expenditures of Federal Awards | 56 |
| Local Education Agency Organization Structure | 58 |
| Schedule of Average Daily Attendance | 59 |
| Schedule of Instructional Time | 60 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 61 |
| Schedule of Financial Trends and Analysis | 62 |
| Schedule of Charter Schools | 63 |
| Combining Statements - Non-Major Governmental Funds | |
| Combining Balance Sheet | 64 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 66 |
| Note to Supplementary Information | 68 |

INDEPENDENT AUDITORS' REPORTS

| | |
|---|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 71 |
| Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 73 |
| Report on State Compliance | 75 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | |
|--|----|
| Summary of Auditors' Results | 78 |
| Financial Statement Findings | 79 |
| Federal Awards Findings and Questioned Costs | 86 |
| State Awards Findings and Questioned Costs | 87 |
| Summary Schedule of Prior Audit Findings | 88 |

FINANCIAL SECTION



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Fremont Unified School District
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont Unified School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont Unified School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

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

VarrineK, Trine, Day & Co., LLP

Pleasanton, California
December 13, 2011



FREMONT UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis

The Fremont Unified School District's mission is to provide equitable opportunities that educate, challenge and inspire students of all ages, talents, and ability levels while preparing each with the skills required to adapt and succeed in an ever-changing world.

The Fremont Unified School District (FUSD) was unified on July 1, 1964, and provides educational services to almost 33,000 K-12 students within the 90 square mile area making up the incorporated areas of the City of Fremont. The District operates under a locally-elected five-member Board of government and provides educational services to grades K-12. The District operates 28 elementary schools (grades K-6), 5 junior high schools (grades 7-8), 5 comprehensive high schools (grades 9-12), a continuation high school, an adult school, and a charter school. The student population is richly diverse with 52% Asian (includes Indian subcontinent), 19% White, 15% Hispanic, 6% Filipino, 4% African American, 1% Pacific Islander, 3% Multiple/No Response.

2010-11 Results of Operations

As of June 30, 2011, the District's general fund recorded total revenue/sources of \$264.1 million and total expenditures/uses of \$255.7 million, excluding on-behalf payment of \$5.6 million. The net effect increased the ending fund balance from \$30.9 million to \$39.4 million for a total increase of \$8.5 million. Of this amount, \$4.8 million is the required 2% economic uncertainty reserve, and \$4.5 million is the restricted column ending balance. The remaining unassigned balance is \$16.9 million.

Revenue limit (state aid and property tax revenues) increased by 6.7% from 2009-10, Federal revenue earned increased by 8.9%, State revenue earned decreased by 0.05%, and local revenues increased by 2.5%. General fund expenditures decreased by 1.4%. Unrestricted fund balance increased primarily due to the State's removal of 3.85% Base Revenue Limit reduction, reduction in deficit factor from 18.56% to 17.96%, increase in ADA, shifting Unrestricted General Fund expenditures to Federal ARRA funds, and other budget adjustments. Federal stimulus (ARRA) funds were spent by the required September 2011 date. The additional Federal Education Jobs funds are being spent through 2011-12.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include 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 fund statements describe how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer financial information about the activities the District operates on a cost reimbursement basis, such as the self-insurance fund.
- Fiduciary funds statements provide 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. Fiduciary fund activity is excluded from the District-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund adopted budget, final budget, and unaudited actual results.

District-wide Statements

The District-wide statements report information about the District as a whole, using full accrual accounting methods, similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All current year 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 on the District's net assets and how they have changed. Analyzing a district's net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one also needs to consider additional factors such as the State's economy and budget.
- The local economy, which could impact student enrollment and the condition of school buildings and other facilities.

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 (like federal grants).

The District has three kinds of funds:

- 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 one 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 reconciliations between the Governmental Funds statements and the District-wide statements that explain the relationships (or differences) between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements, i.e., using full accrual accounting. Internal service funds (one kind of proprietary fund) are used to report activities that provide supplies and services for the District’s other programs and activities. The District currently has one internal service fund – the self-insurance fund.
- Fiduciary funds – The District is the trust, or fiduciary, for assets that belong to others, such as the private purpose trust and student funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets: The District’s combined net assets increased by 4.0% to \$209.32 million (See Table 1, next page). The change in the District’s financial position resulted primarily from the increase in fund balance or equity. The decrease in capital assets net of related debt decreased in part due to a bond premium related to debt refinancing, as well a significant slow down in construction and remodeling. School site related construction and remodeling is now approaching final completion. The community’s investment in updating school facilities will positively contribute to student success for many years to come.

Table 1
Net Assets - (in millions)

| | Governmental Activities | | Percentage Change |
|--|-------------------------|------------------|----------------------|
| | 2009-10 | 2010-11 | |
| Current and other assets | \$ 104.95 | \$ 116.65 | 11.1% |
| Capital assets | 337.18 | 335.15 | -0.6% |
| Total Assets | 442.13 | 451.80 | 2.2% |
| Current liabilities | 25.07 | 29.09 | 16.0% |
| Long-term debt | 215.85 | 213.39 | -1.1% |
| Total Liabilities | 240.92 | 242.48 | 0.6% |
| Net assets | | | |
| Invested in capital assets, net of related debt | 135.63 | 133.21 | -1.8% |
| Restricted | 48.36 | 44.39 | -8.2% |
| Unrestricted | 17.22 | 31.72 | 84.2% |
| Total Net Assets | \$ 201.21 | \$ 209.32 | 4.0% |

Changes in Net Assets

The District's total revenues increased by 1.7%, to \$297.33 million (See Table 2). Increases included Operating Grants and Contributions, and Federal and State aid, as well as miscellaneous one time funds such as Federal Education Jobs Fund. Property taxes, federal and state aid accounted for two thirds of every dollar raised. Interest and investment earnings decreased due to decreased interest rates and lower investment earnings.

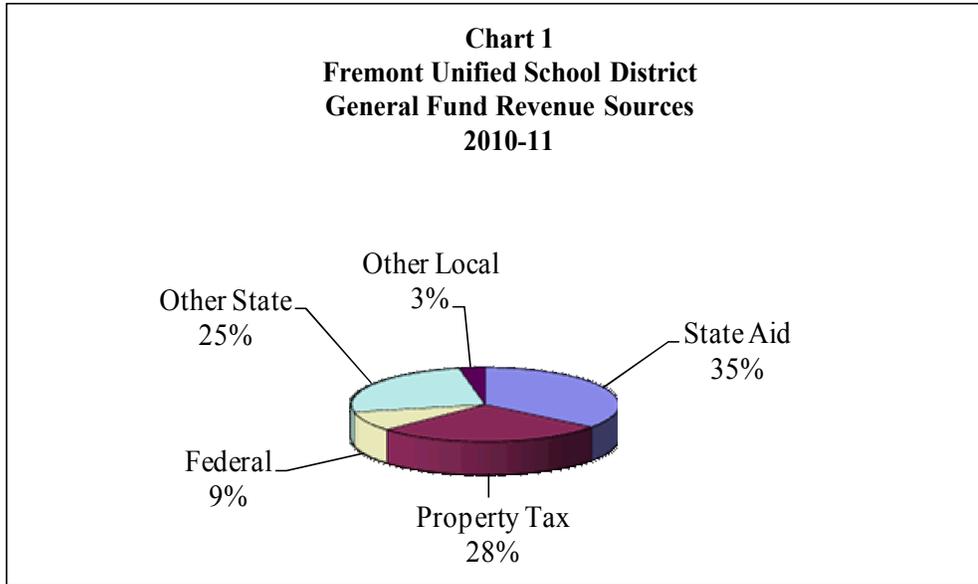
Table 2
Changes in Net Assets
(in millions of dollars)

| | <u>Governmental Activities</u> | | <u>Percentage Change</u> |
|---|--------------------------------|----------------|------------------------------|
| | <u>2009-10</u> | <u>2010-11</u> | |
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ 3.90 | \$ 3.89 | -0.3% |
| Operating Grants and Contributions | 58.78 | 61.43 | 4.5% |
| General revenues | | | |
| Property taxes | 89.71 | 85.68 | -4.5% |
| Federal and State aid | 117.63 | 132.21 | 12.4% |
| Interest and investment earnings | 0.57 | 0.41 | -28.1% |
| Miscellaneous | 21.63 | 13.71 | -36.6% |
| Total revenues | <u>292.22</u> | <u>297.33</u> | <u>1.7%</u> |
| Expenses | | | |
| Instruction | 171.80 | 175.78 | 2.3% |
| Instruction related activities | 28.89 | 31.51 | 9.1% |
| Pupil services | 18.39 | 18.65 | 1.4% |
| General administration | 11.28 | 10.85 | -3.8% |
| Plant services, Facility acquisition and construction | 33.51 | 24.09 | -28.1% |
| Ancillary and community services | 1.55 | 1.67 | 7.7% |
| Interest on long-term debt | 10.00 | 8.79 | -12.1% |
| Other outgo | 28.37 | 17.90 | -36.9% |
| Total expenses | <u>303.79</u> | <u>289.24</u> | <u>-4.8%</u> |
| Increase (decrease) in net assets | <u>\$ (11.57)</u> | <u>\$ 8.09</u> | <u>-169.9%</u> |

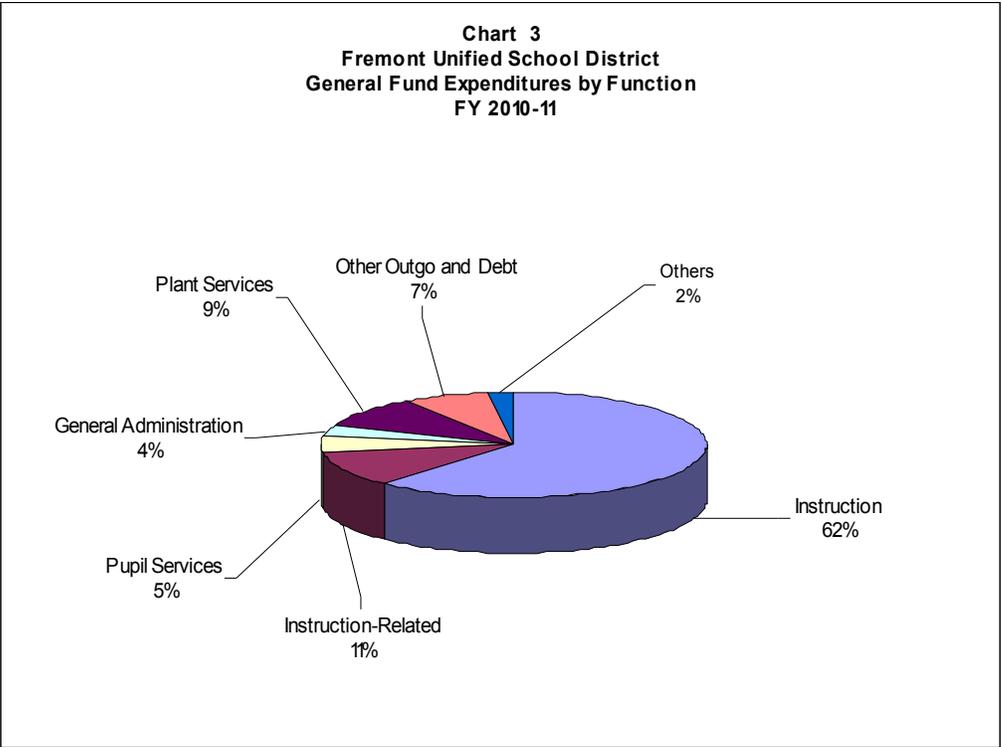
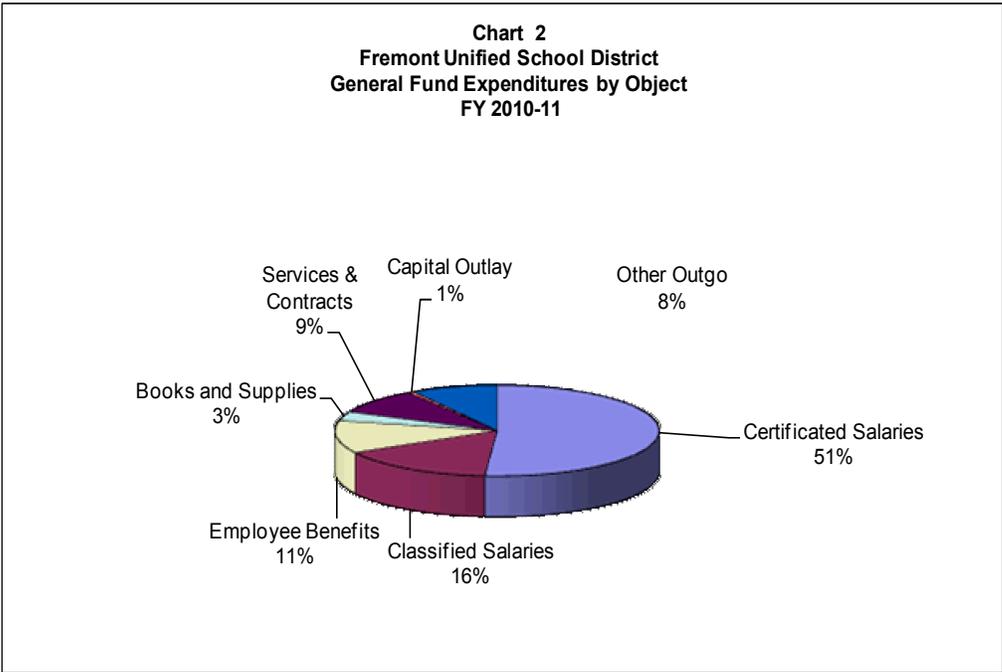
The total cost of all programs and services decreased by 4.8%, to \$289.24 million. Instruction, related and pupil services represents 78% of expenses, general administration 4%, plant and facility 8%, while other costs including debt are at 10%. Total governmental revenues surpassed expenses by \$8.09 million.

Governmental Activities

Fremont School District's revenue limit represents 63% of general fund revenue (state aid and property taxes, excluding on-behalf payment of \$5.6 million). The composition of the General Fund revenue is illustrated in Chart 1:



Charts 2 and 3 illustrate the composition of the District's general fund expenditures, both by Object and by Function codes. As is common with other School Districts, the majority of expenditures are for personnel salaries and the related benefits (approximately 79%).



General Fund Budgetary Highlights

Over the course of the year, the District revises its budget since the adopted Budget is just the preliminary estimate based on assumptions that always change. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 53.

- Significant revenue revisions made to the 2010-11 Budget were due to the following:
 - State's removal of 3.85% Base Revenue Limit Reduction
 - Increase in Revenue Limit funding due to increase in ADA (increase in enrollment)
 - Carryover of unspent categorical funds from prior year
 - Other revenue categories were also adjusted as grants become available from the Federal, State, and Local agencies

- Significant expenditure revisions made to the 2010-11 Budget were due to the following:
 - Reclassification of positions from Unrestricted General Fund to Federal ARRA-State Fiscal Stabilization Fund and Education Jobs Fund
 - 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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, items with individual value over \$20,000 such as land, buildings, modulars, buses, heavy equipment, technology and communications equipment, etc., increased by \$7 million, ending at \$485.02 million (see Table 3).

Table 3
Capital Assets at Year – End
(in millions of dollars)

| | Governmental Activities | | Change |
|--------------------------|--------------------------------|------------------|----------------|
| | 2009-10 | 2010-11 | |
| Land | \$ 9.49 | \$ 9.49 | - |
| Construction in Progress | 18.28 | 13.23 | (5.05) |
| Site Improvements | 38.91 | 43.89 | 4.98 |
| Building Improvements | 399.91 | 408.03 | 8.12 |
| Furniture and Equipment | 11.43 | 10.38 | (1.05) |
| Total | <u>\$ 478.02</u> | <u>\$ 485.02</u> | <u>\$ 7.00</u> |

More detailed information regarding capital assets is presented in Note 4 to the Financial Statements.

Long-Term Debt

As of June 30, 2011, the District had a total of \$213.39 million in total long-term debt outstanding, of which \$204.12 million in general obligation bonds and \$9.27 million in other long-term debts (See Table 4). This amount represents a net decrease of \$2.45 million.

Table 4
Outstanding Long-Term Debt at Year – End
(in millions of dollars)

| | Governmental Activities | | Change |
|-------------------------------|--------------------------------|------------------|------------------|
| | 2009-10 | 2010-11 | |
| General Obligation Bonds | \$ 208.11 | \$ 204.12 | \$ (3.99) |
| Certificates of Participation | 1.00 | - | (1.00) |
| Compensated Absences | 2.25 | 2.17 | (0.08) |
| Capital Leases | 0.47 | 0.60 | 0.13 |
| Net OPEB Obligation | 4.01 | 6.50 | 2.49 |
| Total | <u>\$ 215.84</u> | <u>\$ 213.39</u> | <u>\$ (2.45)</u> |

More detailed information regarding long-term debt is presented in Note 8 to the Financial Statements.

SIGNIFICANT ACCOMPLISHMENTS

The District accomplished several notable achievements in 2010-11. Some of those accomplishments include the following:

Academic Accomplishments

- Met all requirements for textbook sufficiency and compliance
- Met the requirement for Academic Performance Index (API) with a 9 point growth from 868 to 877
- Increased graduation rates by 2% from 92% to 94%
- Durham Elementary School successfully exited Program Improvement status
- Mission San Jose Elementary School is in the top ten rank public elementary schools in California
- Mission San Jose High School awarded 2011 Distinguished Middle and High Schools by California Department of Education
- Leitch Elementary School awarded National Blue Ribbon School by US Department of Education

Fiscal Accomplishments

- On November 2, 2010, the citizens of Fremont approved Measure K, a parcel tax that will generate about \$3 million annually for the District for 5 years
- Positive cash balance even with all of the state deferrals due to the state fiscal crisis
- Ongoing increases in student enrollment
- Paid off the balance of the Certificates of Participation (COP)

ECONOMIC FACTORS AND ASSUMPTIONS USED FOR THE 2011-12 BUDGET

The State budget has been consistently and increasingly volatile for the past 4 years. During the District's budget development process, the following budget assumptions were applied to the District's Budget. However, revenue and expenditure assumptions have changed since then. The following assumptions were applied to the District's 2011-12 Budget at the time of the June 2011 budget adoption.

The following assumptions were used in projecting revenues:

- Enrollment is projected at 32,300 for 2011-12 which is a decline of 68 pupils from prior year, 2010-11.
- Average Daily Attendance (ADA) is projected at 31,105. This is equivalent to 96.30% attendance rate. Adjustments will be made following the annual ADA reporting periods and will be submitted to the Board in the First Interim Budget report.
- The State allows declining enrollment districts to utilize the prior year ADA when developing the next year's budget. Fremont is projecting a decline in enrollment and is utilizing 31,369 in developing the 2011-12 Proposed Budget.
- The Statutory COLA for 2011-12 is 2.24% with Revenue Limit Deficit of 19.754% based on the Governor's May Revision. The Base Revenue Limit per ADA without the Deficit is \$6,517.57 (with AB 851 adjustments).
- Federal Categorical Program revenues are projected without COLA. The net decrease in Federal Categorical Programs in 2011-12 is due to the elimination of carryover of unspent federal funds.
- Medi-Cal Administrative Activities (MAA) revenue is conservatively budgeted at \$500K.
- The majority of the State Categorical Program revenues are projected with 0% COLA. In addition, the flexibility provision of using funds for any educational purpose has been extended through 2014-15 (previously 2012-13) by SB 70.
- Funding for Lottery is budgeted at \$111.00 per prior year annual ADA, as recommended by Alameda County Office of Education and School Services of California.
- Class Size Reduction revenue is budgeted at \$1,071 per pupil in grades K-3 with a 30% penalty due to the student to teacher ratio of 28:1.
- Mandated Cost Program revenues are not budgeted until the actual reimbursements are received.
- The net decrease in Other State Revenues is due mainly to the elimination of carryover of unspent state funds.
- Interest Income is projected at 0.35%, as recommended by Alameda County Office of Education.
- The District's miscellaneous donations will be budgeted upon the receipt of funds.
- On November 2, 2010, the citizens of Fremont approved a local funding source, Measure K, an annual tax of \$53 per parcel that will generate approximately \$3 million a year for the district for 5 years.
- Carryover of any unspent funds from prior year 2010-11 for Federal, State and Local Programs will be fully budgeted following the close of the books.

The following assumptions were used in projecting revenues:

- Step and column increases are fully budgeted for all eligible employees.
- Due to the current State fiscal crisis, there are no projections for salary or health benefits increases for all the bargaining units in 2011-12.
- Class Size Reduction ratio for K-3 grades is 28:1.
- Mandatory Employee Benefits are:

| Employee Benefit | Rate | Employee Benefit | Rate |
|---|-------------|-------------------------|-------------|
| STRS | 8.25% | PERS and PERS Red | 13.02% |
| FICA | 6.20% | Medicare | 1.45% |
| STRS Cash Balance-Cert Alternative Retirement | 4.00% | State Unemployment Ins | 1.61% |
| Workers Compensation | 3.17% | Retiree Benefits | 1.70% |

- PERS rate is budgeted at an increase of 0.693% for 2011-12.
- State Unemployment Insurance rate is budgeted at an increase of 0.89% for 2011-12.
- The District’s Workers’ Compensation rate is budgeted at an increase of 0.54% for 2011-12.
- The net decrease from prior year, 2010-11, in other expenditure categories is due to carryover of unspent funds and one-time expenditures.
- The District’s utility expenditures are projected to increase by 5.50%.
- Indirect Cost is budgeted at 5.32%.
- There is no projection for contribution to Deferred Maintenance. The Local Education Agency (LEA) contribution requirement flexibility is extended through 2014-15 (previously 2012/13) by SB 70.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Micaela Ochoa
 Assistant Superintendent
 Business Services
 4210 Technology Drive
 Fremont, CA 94538
 (510) 659 – 2572

FREMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Deposits and investments | \$ 58,481,070 |
| Receivables | 56,034,051 |
| Prepaid expenses | 151,974 |
| Deferred charges | 1,497,880 |
| Stores inventories | 483,545 |
| Capital assets not depreciated | 22,722,111 |
| Capital assets depreciated | 462,299,045 |
| Less: Accumulated depreciation | (149,873,272) |
| Total assets | <u>451,796,404</u> |
| Liabilities | |
| Accounts payable | 18,908,082 |
| Interest payable | 4,444,486 |
| Claim liabilities | 143,752 |
| Deferred revenue | 5,598,226 |
| Current portion of long-term obligations | 6,815,374 |
| Noncurrent portion of long-term obligations | 206,574,164 |
| Total liabilities | <u>242,484,084</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 133,204,731 |
| Restricted for: | |
| Educational programs | 4,523,559 |
| Debt service | 6,353,864 |
| Capital projects | 31,932,474 |
| Special revenues | 993,107 |
| Self insurance | 9,475 |
| Other activities | 573,247 |
| Unrestricted | 31,721,863 |
| Total net assets | <u>\$ 209,312,320</u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) |
|---|-----------------------|--------------------------------|------------------------------------|----------------------------------|------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes in Net Assets |
| | | | | | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction | \$ 175,775,802 | \$ 389,447 | \$ 35,176,135 | \$ 454 | \$ (140,209,766) |
| Instruction related activities: | | | | | |
| Supervision of instruction | 9,442,661 | 25,897 | 6,173,338 | - | (3,243,426) |
| Instructional library, media & technology | 3,016,506 | 4,429 | 390,483 | - | (2,621,594) |
| School site administration | 19,054,836 | 30,919 | 877,372 | - | (18,146,545) |
| Pupil services: | | | | | |
| Home-to-school transportation | 5,468,168 | 231,236 | 2,458,959 | - | (2,777,973) |
| Food services | 5,869,647 | 2,914,962 | 2,733,954 | - | (220,731) |
| All other pupil services | 7,313,261 | 16,972 | 1,596,871 | - | (5,699,418) |
| General administration: | | | | | |
| Data processing | 1,537,243 | - | - | - | (1,537,243) |
| All other general administration | 9,315,824 | 150,911 | 2,026,375 | - | (7,138,538) |
| Plant services | 24,085,848 | 22,530 | 115,673 | - | (23,947,645) |
| Ancillary services | 1,143,837 | 8,366 | 383,041 | - | (752,430) |
| Community services | 529,261 | 3,282 | 30,720 | - | (495,259) |
| Interest on long-term obligations | 8,790,724 | - | - | - | (8,790,724) |
| Other (outgo) | 17,896,459 | 89,346 | 9,471,315 | - | (8,335,798) |
| Total governmental-type activities | \$ 289,240,077 | \$ 3,888,297 | \$ 61,434,236 | \$ 454 | (223,917,090) |
| General revenues and subventions: | | | | | |
| | | | | | 72,995,379 |
| | | | | | 12,392,546 |
| | | | | | 292,042 |
| | | | | | 132,210,759 |
| | | | | | 413,154 |
| | | | | | 241,448 |
| | | | | | 13,471,487 |
| | | | | | <u>232,016,815</u> |
| | | | | | 8,099,725 |
| Change in net assets | | | | | 201,212,595 |
| Net assets - beginning | | | | | <u>\$ 209,312,320</u> |
| Net assets - ending | | | | | |

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

FREMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

| | <u>General Fund</u> | <u>Special Reserve Capital Fund</u> | <u>Non Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|---|
| ASSETS | | | | |
| Deposits and investments | \$ 6,297,501 | \$ 26,337,087 | \$ 25,758,827 | \$ 58,393,415 |
| Receivables | 54,863,191 | 46,702 | 1,056,520 | 55,966,413 |
| Due from other funds | 4,470,626 | - | 3,011,561 | 7,482,187 |
| Prepaid expenditures | 147,005 | - | 4,969 | 151,974 |
| Stores inventories | 326,242 | - | 157,303 | 483,545 |
| Total assets | <u>\$ 66,104,565</u> | <u>\$ 26,383,789</u> | <u>\$ 29,989,180</u> | <u>\$ 122,477,534</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 18,166,551 | \$ 150,432 | 589,033 | \$ 18,906,016 |
| Due to other funds | 3,008,116 | 601,074 | 3,872,997 | 7,482,187 |
| Deferred revenue | 5,535,533 | - | 62,693 | 5,598,226 |
| Total liabilities | <u>26,710,200</u> | <u>751,506</u> | <u>4,524,723</u> | <u>31,986,429</u> |
| Fund Balances: | | | | |
| Nonspendable | 573,247 | - | 162,272 | 735,519 |
| Restricted | 4,523,559 | 25,632,283 | 19,204,404 | 49,360,246 |
| Assigned | 12,571,094 | - | 6,097,781 | 18,668,875 |
| Unassigned | 21,726,465 | - | - | 21,726,465 |
| Total fund balance | <u>39,394,365</u> | <u>25,632,283</u> | <u>25,464,457</u> | <u>90,491,105</u> |
| Total Liabilities and Fund Balances | <u>\$ 66,104,565</u> | <u>\$ 26,383,789</u> | <u>\$ 29,989,180</u> | <u>\$ 122,477,534</u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

| | | |
|--|----------------------|------------------------------|
| Total Fund Balance - Governmental Funds | | \$ 90,491,105 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | \$ 485,021,156 | |
| Accumulated depreciation is | <u>(149,873,272)</u> | 335,147,884 |
| Expenditures relating to debt issuance costs were recorded as deferred charges and amortized over the life of the debts in the government-wide statements, but are expensed in the year debt is issued on the governmental fund statements. | | 1,497,880 |
| In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. | | (4,444,486) |
| An internal service fund is used by the District's management to charge the costs of the property and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | | 9,475 |
| Long-term obligations at year end consist of: | | |
| Bonds payable | 204,120,705 | |
| Capital leases payable | 595,356 | |
| Compensated absences (vacations) | 2,170,234 | |
| Net OPEB obligation | <u>6,503,243</u> | |
| Total Long-Term Obligations | | <u>(213,389,538)</u> |
| Total Net Assets - Governmental Activities | | <u><u>\$ 209,312,320</u></u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

| | General Fund | Special Reserve Capital Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | |
| Revenue limit sources | \$ 166,416,674 | \$ - | \$ 1,363,271 | \$ 167,779,945 |
| Federal sources | 22,801,024 | - | 3,188,984 | 25,990,008 |
| Other state sources | 71,952,383 | 2,687,297 | 1,762,809 | 76,402,489 |
| Other local sources | 7,632,184 | 1,153,128 | 18,511,466 | 27,296,778 |
| Total Revenues | <u>268,802,265</u> | <u>3,840,425</u> | <u>24,826,530</u> | <u>297,469,220</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 163,194,237 | - | 3,885,703 | 167,079,940 |
| Instruction related activities: | | | - | |
| Supervision of instruction | 8,573,673 | - | 471,085 | 9,044,758 |
| Instructional library, media & technology | 2,571,984 | - | 273,589 | 2,845,573 |
| School site administration | 17,110,155 | - | 1,016,802 | 18,126,957 |
| Pupil Services: | | | - | |
| Home-to school transportation | 5,224,915 | - | - | 5,224,915 |
| Food services | 9,375 | - | 5,589,539 | 5,598,914 |
| All other pupil services | 6,838,768 | - | 9,286 | 6,848,054 |
| General administration: | | | - | |
| Data processing | 1,461,488 | - | 2,984 | 1,464,472 |
| All other general administration | 8,267,376 | - | 682,354 | 8,949,730 |
| Plant services | 22,526,615 | 2,099 | 661,832 | 23,190,546 |
| Facility acquisition and construction | 1,520,746 | 860,806 | 5,771,412 | 8,152,964 |
| Ancillary services | 1,084,011 | - | 1,600 | 1,085,611 |
| Community services | 503,189 | - | - | 503,189 |
| Other outgo | 17,893,854 | - | 2,605 | 17,896,459 |
| Debt service | | | | |
| Principal | 196,122 | - | 4,433,047 | 4,629,169 |
| Interest and other | 42,584 | - | 10,186,237 | 10,228,821 |
| Total Expenditures | <u>257,019,092</u> | <u>862,905</u> | <u>32,988,075</u> | <u>290,870,072</u> |
| Excess (deficiency) of revenues over expenditures | <u>11,783,173</u> | <u>2,977,520</u> | <u>(8,161,545)</u> | <u>6,599,148</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 601,074 | - | 4,291,379 | 4,892,453 |
| Other sources | 360,983 | - | - | 360,983 |
| Transfers out | (4,291,379) | (601,074) | - | (4,892,453) |
| Net Financing Sources (Uses) | <u>(3,329,322)</u> | <u>(601,074)</u> | <u>4,291,379</u> | <u>360,983</u> |
| NET CHANGE IN FUND | | | | |
| BALANCES | 8,453,851 | 2,376,446 | (3,870,166) | 6,960,131 |
| Fund Balance - Beginning | 30,940,514 | 23,255,837 | 29,334,623 | 83,530,974 |
| Fund Balance - Ending | <u>\$ 39,394,365</u> | <u>\$ 25,632,283</u> | <u>\$ 25,464,457</u> | <u>\$ 90,491,105</u> |

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

| | | |
|--|------------------|--------------|
| Total Net Change in Fund Balances - Governmental Funds | | \$ 6,960,131 |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. | | |
| This is the amount by which depreciation exceeds capital outlays in the period. | | |
| Depreciation expense | \$ (10,395,535) | |
| Capital outlays | <u>8,360,233</u> | |
| | | (2,035,302) |
| Proceeds received from new longterm debt are revenues in the governmental funds, increases long term liabilities in the statement of net assets and do not affect the statement of activities | | (360,983) |
| In the governmental funds, revenue received from long-term receivables are recorded in the year received. These amounts reduce the long-term receivables in the year received on the statement of net assets and does not affect the statement of activities. | | (130,276) |
| In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned. | | 79,186 |
| Net amortization of premium and issuance costs relating to the general obligation bonds and COP are reported in the government-wide financial statement, but is not accounted for in the governmental funds. | | 491,564 |

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

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

| | |
|---|----------------------------|
| Repayment of long-term debt principal including bonds, certifications of participation, capital leases and early retirement obligations, is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net assets and does not affect the statement of activities. | \$ 4,629,169 |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of these two factors. | 946,533 |
| In the statement of Activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds. | (2,483,346) |
| An internal service fund is used by the District's management to charge the costs of the property and liability insurance program to the individual funds. The net income of the internal service fund is reported with governmental activities. | <u>3,049</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ 8,099,725</u></u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011**

| | Governmental Activities - Internal Service Fund |
|----------------------------------|--|
| ASSETS | |
| Current Assets | |
| Deposits and investments | \$ 87,655 |
| Receivables | 67,638 |
| Total Current Assets | <u>155,293</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 2,066 |
| Claim liabilities | 143,752 |
| Total Current Liabilities | <u>145,818</u> |
| NET ASSETS | |
| Unrestricted | 9,475 |
| Total Net Assets | <u>\$ 9,475</u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

| | Governmental Activities - Internal Service Fund |
|-------------------------------------|--|
| OPERATING REVENUES | |
| Local and intermediate sources | \$ 211,221 |
| Total Operating Revenues | <u>211,221</u> |
| OPERATING EXPENSES | |
| Supplies and materials | 16,899 |
| Facility rental | 8,614 |
| Other operating cost | 183,517 |
| Total Operating Expenses | <u>209,030</u> |
| Operating Income | 2,191 |
| NONOPERATING REVENUES | |
| Interest income | <u>858</u> |
| Change in net assets | 3,049 |
| Total Net Assets - Beginning | <u>6,426</u> |
| Total Net Assets - Ending | <u><u>\$ 9,475</u></u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

| | Governmental Activities - Internal Service Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 150,344 |
| Cash received on assessments made from other funds | 18,583 |
| Cash payments for insurance claims | (26,165) |
| Cash payments to suppliers for goods and services | (16,899) |
| Cash payments for facility use | (8,614) |
| Cash payments for other operating expenses | (238,567) |
| Net Cash Used by Operating Activities | <u>(121,318)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest expense on investments | 858 |
| Net Cash Provided by Investing Activities | <u>858</u> |
| Net decrease in cash and cash equivalents | (120,460) |
| Cash and cash equivalents - Beginning | 208,115 |
| Cash and cash equivalents - Ending | <u>\$ 87,655</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating income | \$ 2,191 |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| Changes in assets and liabilities: | |
| Receivables | (60,877) |
| Due from other fund | 18,583 |
| Accounts payable | (55,050) |
| Claim liabilities | (26,165) |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (121,318)</u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

| | <u>Agency Funds (ASB)</u> |
|--------------------------|-------------------------------|
| ASSETS | |
| Deposits and investments | \$ 1,553,671 |
| Total assets | <u>\$ 1,553,671</u> |
| LIABILITIES | |
| Due to student groups | \$ 1,553,671 |
| Total liabilities | <u>\$ 1,553,671</u> |

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Fremont Unified School District was unified on July 1, 1964 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates 29 elementary, 5 middle, 5 high schools, an adult, a continuation high school, and a charter school.

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

Component Units Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has one component unit - Circle of Independent Learning Charter School. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District.

Other Related Entities

Charter School The District has approved a Charter for one Charter School, Circle of Independent Learning Charter School, pursuant to Education Code Section 47605. It is operated by the District and its financial activities are presented in a special revenue fund. The Circle of Independent Learning Charter School is operated by the District and considered a component unit of the District. The District receives revenue on behalf of the Circle of Independent Learning Charter School, which it passes on to the Charter.

Basis of Presentation - Fund Accounting

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

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Charter Schools Fund This fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

State School Building Lease-Purchase Fund The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Internal Service Fund Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District has only agency funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsors.

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$20,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

When purchased, such assets are recorded as expenditures in the governmental funds, but they are capitalized and amortized to operations over their estimated services lives in the government-wide financial statements. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: portables, 25 years; buildings, 50 years; land improvements, 20 to 65 years; and furniture and equipment, 2 to 8 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

Compensated Absences

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as debts issuance costs, are deferred and amortized over the life of the debts using the straight line method.

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Spending Order Policy

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.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

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

Operating Revenues and Expenses Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are In-District premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

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

Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011. Please refer to Note 9 for more detailed information.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

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

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012, and the District does not believe that it will have a significant impact on the financial statements. Early implementation is encouraged.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

| | |
|--------------------------------|----------------------|
| Governmental funds | \$ 58,393,415 |
| Proprietary funds | 87,655 |
| Fiduciary funds | 1,553,671 |
| Total Deposits and Investments | <u>\$ 60,034,741</u> |

Deposits and investments as of June 30, 2011, consists of the following:

| | |
|--------------------------------|----------------------|
| Cash on hand and in banks | \$ 2,390,580 |
| Cash in revolving fund | 100,000 |
| Investments | 57,544,161 |
| Total Deposits and Investments | <u>\$ 60,034,741</u> |

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

General Authorizations

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

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

Interest Rate Risk

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

| Investment Type | Fair Value | Remaining (12 months or less) |
|-----------------|----------------------|----------------------------------|
| County Pool | \$ 56,195,351 | \$ 56,195,351 |
| LAIF | 1,351,727 | 1,351,727 |
| Total | <u>\$ 57,547,078</u> | <u>\$ 57,547,078</u> |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Disclosure Relating to Credit Risk

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

| Investment Type | Fair Value | Minimum Legal Rating | Minimum | |
|-----------------|----------------------|----------------------|-------------|----------------------|
| | | | AAA | Unrated |
| County Pool | \$ 56,195,351 | N/A | \$ - | \$ 56,195,351 |
| LAIF | 1,351,727 | N/A | - | 1,351,727 |
| Total | <u>\$ 57,547,078</u> | | <u>\$ -</u> | <u>\$ 57,547,078</u> |

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance was \$2,510,743 with a carrying amount of \$2,490,850. Out of \$2,710,743, \$1,996,591 was uninsured and uncollateralized.

Custodial Credit Risk - Investments

The custodial credit risk investments is the risk that, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government Code and the Agency's investment policy do not contain a legal policy requirement that would limit the exposure to custodial credit risk for investments.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

| | General | Special Reserve - Capital | Nonmajor Funds | Total | Proprietary Fund |
|---------------------|----------------------|---------------------------------|---------------------|----------------------|---------------------|
| Federal Government | | | | | |
| Categorical aid | \$ 5,590,138 | \$ - | \$ 680,869 | \$ 6,271,007 | \$ - |
| State Government | | | | - | |
| Apportionment | 30,610,413 | - | 259,916 | 30,870,329 | - |
| Categorical aid | 6,547,663 | - | 11,310 | 6,558,973 | - |
| Lottery | 2,420,380 | - | 17,140 | 2,437,520 | - |
| Local Government | | | | | |
| Interest | - | 46,702 | 47,835 | 94,537 | 638 |
| Other Local Sources | 1,513,557 | - | 39,450 | 1,553,007 | 67,000 |
| Total | <u>\$ 54,863,191</u> | <u>\$ 46,702</u> | <u>\$ 1,056,520</u> | <u>\$ 55,966,413</u> | <u>\$ 67,638</u> |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | Balance July 1, 2010 | Additions | Deductions | Balance June 30, 2011 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets not being depreciated | | | | |
| Land | \$ 9,494,607 | \$ - | \$ - | \$ 9,494,607 |
| Construction in progress | 18,279,428 | 1,548,774 | 6,600,698 | 13,227,504 |
| Total Capital Assets not being depreciated | <u>27,774,035</u> | <u>1,548,774</u> | <u>6,600,698</u> | <u>22,722,111</u> |
| Capital Assets being depreciated | | | | |
| Land improvements | 38,909,969 | 4,981,509 | - | 43,891,478 |
| Buildings and improvements | 399,909,948 | 8,119,913 | - | 408,029,861 |
| Furniture and equipment | 11,428,536 | 310,735 | 1,362,565 | 10,376,706 |
| Total Capital Assets being depreciated | <u>450,249,453</u> | <u>13,412,157</u> | <u>1,362,565</u> | <u>462,299,045</u> |
| Less Accumulated Depreciation | | | | |
| Land improvements | 19,409,145 | 1,388,024 | - | 20,797,169 |
| Buildings and improvements | 111,735,155 | 8,749,619 | - | 120,484,774 |
| Furniture and equipment | 9,696,002 | 257,892 | 1,362,565 | 8,591,329 |
| Total Accumulated Depreciation | <u>140,840,302</u> | <u>10,395,535</u> | <u>1,362,565</u> | <u>149,873,272</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 337,183,186</u> | <u>\$ 4,565,396</u> | <u>\$ 6,600,698</u> | <u>\$ 335,147,884</u> |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Governmental Activities

| | |
|---|----------------------|
| Instruction | \$ 6,926,098 |
| Supervision of instruction | 364,606 |
| Instructional library, media, and technology | 139,872 |
| School site administration | 762,202 |
| Home-to-school transportation | 224,161 |
| Food services | 240,207 |
| All other pupil services | 293,797 |
| Ancillary services | 46,576 |
| Community services | 21,588 |
| All other general administration | 334,819 |
| Data processing services | 62,829 |
| Plant services | 978,780 |
| Total Depreciation Expenses Governmental Activities | <u>\$ 10,395,535</u> |

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances arise from interfund transactions and are recorded by all fund affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2011, between major and nonmajor governmental funds, non-major enterprise funds, internal service funds, and fiduciary fund are as follows:

| Due From | Due To | | | Total |
|-----------------------|---------------------|----------------------------|--------------------------|---------------------|
| | General | Special Reserve Capital | Nonmajor Governmental | |
| General | \$ - | \$ 597,629 | \$ 3,872,997 | \$ 4,470,626 |
| Nonmajor Governmental | 3,008,116 | 3,445 | - | 3,011,561 |
| Total | <u>\$ 3,008,116</u> | <u>\$ 601,074</u> | <u>\$ 3,872,997</u> | <u>\$ 7,482,187</u> |

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the followings:

| Transfer To | Transfer From | | Total |
|-----------------------|---------------|---------------------------|--------------|
| | General | Special Reserve - Capital | |
| General | \$ - | \$ 601,074 | \$ 601,074 |
| Nonmajor governmental | 4,291,379 | - | 4,291,379 |
| Total | \$ 4,291,379 | \$ 601,074 | \$ 4,892,453 |

| | |
|---|--------------|
| The General Fund transferred to Deferred Maintenance fund for deferred maintenance program revenue allocation | \$ 1,030,265 |
| The General Fund transferred to Adult Education Fund for its State apportionment | 3,261,114 |
| The Special Reserve for Capital Outlay fund transferred to General fund for Rental revenue from Marshall site | 601,074 |
| Total | \$ 4,892,453 |

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

| | General | Special Reserve - Capital | Nonmajor Governmental | Total | Proprietary Fund |
|-----------------------|---------------|---------------------------|-----------------------|---------------|------------------|
| Vendor payables | \$ 14,520,127 | \$ 150,432 | \$ 370,894 | \$ 15,041,453 | \$ 2,066 |
| Salaries and benefits | 1,824,604 | - | 218,140 | 2,042,744 | - |
| Total | \$ 18,166,551 | \$ 150,432 | \$ 589,033 | \$ 18,906,016 | \$ 2,066 |

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

| | General Fund | Non Major Governmental | Total |
|------------------------------|--------------|------------------------|--------------|
| Federal financial assistance | \$ 5,488,991 | \$ 46,574 | \$ 5,535,565 |
| State categorical aid | 46,542 | - | 46,542 |
| Other local | - | 16,119 | 16,119 |
| Total | \$ 5,535,533 | \$ 62,693 | \$ 5,598,226 |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

| | Balance July 1, 2010 | Additions | Deductions | Balance June 30, 2011 | Due in One Year |
|-------------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|
| General obligation bonds | \$ 200,916,709 | \$ - | \$ 3,397,625 | \$ 197,519,084 | \$ 6,040,000 |
| Add: Bond premiums | 7,192,913 | - | 591,292 | 6,601,621 | 591,292 |
| Subtotal | 208,109,622 | - | 3,988,917 | 204,120,705 | 6,631,292 |
| Certificates of participation | 1,000,000 | - | 1,000,000 | - | - |
| Accumulated vacation - net | 2,249,420 | - | 79,186 | 2,170,234 | - |
| Capital leases | 465,917 | 360,983 | 231,544 | 595,356 | 184,082 |
| Net OPEB Obligation | 4,019,897 | 5,631,472 | 3,148,126 | 6,503,243 | - |
| | <u>\$ 215,844,856</u> | <u>\$ 5,992,455</u> | <u>\$ 8,447,773</u> | <u>\$ 213,389,538</u> | <u>\$ 6,815,374</u> |

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Certificates of participation are made by Special Reserve – Capital and Capital Facilities funds. Capital leases payments are made by the General, Child Development and Cafeteria funds. Accumulated vacation will be paid for by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | | Bonds |
|------------|---------------|---------------|----------------|--------------------------|-------------|---------------------|---------------------------|
| | | | | Outstanding July 1, 2010 | Addition | Redeemed | Outstanding June 30, 2011 |
| 1996 | 2014 | 4.2%-6.15% | 32,389,981 | \$ 2,836,709 | \$ - | \$ 902,625 | \$ 1,934,084 |
| 1998 | 2020 | 3.4%-4.85% | 34,519,976 | 9,675,000 | - | - | 9,675,000 |
| 2002 | 2026 | 3.0%-5.38% | 85,000,000 | 73,215,000 | - | 1,000,000 | 72,215,000 |
| 2004 | 2019 | 2.0%-4.0% | 2,335,000 | 2,250,000 | - | 15,000 | 2,235,000 |
| 2005 | 2030 | 3.625%-5.0% | 72,200,000 | 72,200,000 | - | - | 72,200,000 |
| 2009 | 2020 | 2.0%-5.0% | 40,740,000 | 40,740,000 | - | 1,480,000 | 39,260,000 |
| | | | | <u>\$ 200,916,709</u> | <u>\$ -</u> | <u>\$ 3,397,625</u> | <u>\$ 197,519,084</u> |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Debt Service Requirements to Maturity

The bonds mature through 2031 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|-----------------------|---------------------------------|-----------------------|
| 2012 | \$ 6,040,000 | \$ 8,918,254 | \$ 14,958,254 |
| 2013 | 6,075,000 | 8,821,593 | 14,896,593 |
| 2014 | 6,160,000 | 8,704,005 | 14,864,005 |
| 2015 | 5,915,000 | 8,583,995 | 14,498,995 |
| 2016 | 6,100,000 | 8,343,466 | 14,443,466 |
| 2017-2021 | 41,925,000 | 36,426,577 | 78,351,577 |
| 2022-2026 | 50,245,000 | 24,730,437 | 74,975,437 |
| 2026-2031 | 75,059,084 | 9,375,419 | 84,434,503 |
| Total | <u>\$ 197,519,084</u> | <u>\$ 113,903,746</u> | <u>\$ 311,422,830</u> |

Defeasance of Debt Obligations

In prior and current years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U. S. government securities and placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long-Term Obligations. As of June 30, 2011, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$56,260,000.

Certificates of Participation

In January 2001, the Fremont Unified School District Educational Facilities Financing Corporation issued certificates of participation in the amount of \$8,250,000 with interest rates ranging from 3.90 to 4.45 percent. The remaining principal balance was paid off during the year.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$2,170,234.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are in substance, purchases (capital leases) and are reported as capital lease obligations. The District’s liability on lease agreements with options to purchase is summarized below:

| | Equipment | Vehicles | Total |
|------------------------|-------------------|-------------|-------------------|
| Balance, July 1, 2010 | \$ 425,765 | \$ 40,152 | \$ 465,917 |
| Additions | 360,983 | - | 360,983 |
| Payments/deletions | 191,392 | 40,152 | 231,544 |
| Balance, June 30, 2011 | <u>\$ 595,356</u> | <u>\$ -</u> | <u>\$ 595,356</u> |

The capital leases have minimum lease payments as follows:

| Year Ending June 30, | Lease Payment |
|---|-------------------|
| 2012 | \$ 226,290 |
| 2013 | 220,305 |
| 2014 | 149,255 |
| 2015 | 83,303 |
| 2016 | 8,910 |
| Total | <u>688,063</u> |
| Less: Amount Representing Interest | 92,707 |
| Present Value of Minimum Lease Payments | <u>\$ 595,356</u> |

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution (ARC) was \$5,155,951 for the year ended June 30, 2011. The District made a contribution of \$3,148,126, which was more/less than the actuarial "pay as you go" costs. Actual contributions of \$3,148,126, was deducted from the ARC. Interest on the net OEB obligation and the adjustment to annual required contribution were \$200,995 and \$274,526, respectively, which resulted in a net increase in OPEB obligation of \$2,483,346. The OPEB obligation for the District at June 30, 2011, amounted to \$6,503,243. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

| | General | Special Reserve Capital | Nonmajor Governmental | Total |
|------------------------------------|----------------------|----------------------------|--------------------------|----------------------|
| Nonspendable | | | | |
| Revolving cash | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Stores inventories | 326,242 | - | 157,303 | 483,545 |
| Prepaid expenditures | 147,005 | - | 4,969 | 151,974 |
| Total Nonspendable | <u>573,247</u> | <u>-</u> | <u>162,272</u> | <u>735,519</u> |
| Restricted | | | | |
| Categorical programs | 4,523,559 | - | - | 4,523,559 |
| Capital projects | - | 25,632,283 | 8,406,054 | 34,038,337 |
| Debt services | - | - | 10,798,350 | 10,798,350 |
| Total Restricted | <u>4,523,559</u> | <u>25,632,283</u> | <u>19,204,404</u> | <u>49,360,246</u> |
| Assigned | | | | |
| Educational purposes | - | - | 3,560,205 | 3,560,205 |
| Deferred maintenance projects | - | - | 2,537,576 | 2,537,576 |
| Projected loss of revenue limits | 7,976,794 | - | - | 7,976,794 |
| Med-Cal Administrative Activity | 1,067,558 | - | - | 1,067,558 |
| Mandated costs | 775,047 | - | - | 775,047 |
| Tier III programs | 2,689,374 | - | - | 2,689,374 |
| School sites discretionary funds | 62,321 | - | - | 62,321 |
| Total Assigned | <u>12,571,094</u> | <u>-</u> | <u>6,097,781</u> | <u>18,668,875</u> |
| Unassigned | | | | |
| Reserve for economic uncertainties | 4,837,153 | - | - | 4,837,153 |
| Remaining unassigned | 16,889,312 | - | - | 16,889,312 |
| Total Unassigned | <u>21,726,465</u> | <u>-</u> | <u>-</u> | <u>21,726,465</u> |
| Total | <u>\$ 39,394,365</u> | <u>\$ 25,632,283</u> | <u>\$ 25,464,457</u> | <u>\$ 90,491,105</u> |

NOTE 10 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District’s major fund exceeded the budgeted amount as follows:

| Fund | Expenditures and Other Uses | | |
|-------------------------------------|-----------------------------|----------------------|-------------------|
| | Budget | Actual | Excess |
| General | | | |
| Services and operating expenditures | <u>\$ 39,401,410</u> | <u>\$ 40,105,877</u> | <u>\$ 704,467</u> |
| Other outgo | <u>\$ 16,589,481</u> | <u>\$ 17,438,481</u> | <u>\$ 849,000</u> |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Fremont Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. It provides fully-insured medical benefits offered through the California Public Employees' Retirement System (CalPERS) and fully-insured dental benefits. Membership of the Plan consists of 391 retirees and beneficiaries currently receiving benefits, and 591 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2010-2011, the District contributed \$3,148,126 to the plan, all of which was used for current premiums (approximately 61 percent of current year's annual required contributions). Contributions are required for dependent coverage only. The District provides a subsidy for any plan equal to the "Retiree Only" portion of the premium.

Annual OPEB Cost and Net Asset/OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset/obligation to the Plan:

| | |
|--|----------------------------|
| Annual required contribution | \$ 5,155,951 |
| Interest on net OPEB obligation | 200,995 |
| Adjustment to annual required contribution | 274,526 |
| Annual OPEB cost (expense) | <u>5,631,472</u> |
| Contributions made | <u>(3,148,126)</u> |
| Increase in net OPEB obligation | 2,483,346 |
| Net OPEB obligation, beginning of year | 4,019,897 |
| Net OPEB obligation, end of year | <u><u>\$ 6,503,243</u></u> |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

| <u>Year Ended June</u> <u>30,</u> | <u>Annual OPEB</u> <u>Cost</u> | <u>Actual</u> <u>Contribution</u> | <u>Percentage</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Asset/Obligation</u> |
|--------------------------------------|-----------------------------------|--------------------------------------|---|--|
| 2009 | \$ 3,054,854 | \$ 2,253,310 | 74% | \$ 1,685,860 |
| 2010 | 5,168,289 | 2,834,252 | 55% | 4,019,897 |
| 2011 | 5,631,472 | 3,148,126 | 56% | 6,503,243 |

Funded Status and Funding Progress

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, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is 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 the 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 designed 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.

In the October 22, 2010, actuarial valuation, the unprojected unit credit method was used. Healthcare cost trend rates ranged from an initial 11 percent to an ultimate rate of 6 percent. Trends are reduced 0.5% each year until reaching the ultimate trend. The cost trend rate used for the Dental program was 6 percent. The UAAL is being amortized at a building block method. The remaining amortization period at July 1, 2011, was 27 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

NOTE 12 - RISK MANAGEMENT

The District's risk management activities are recorded in the General and Self-Insurance Funds. The General Fund administers activities relating to employee life, health, worker's compensation, unemployment, and disability insurance programs. The Internal Service Fund administers activities relating to property and liability insurance for individual claims up to \$25,000. The excess liability over \$25,000 is covered through the District's participation in the Joint Powers Authorities (JPA), Nor-Cal ReLiEF.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, the District contracted with Nor-Cal ReLIEF 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 2011, the District participated in the Alameda County Schools Insurance Group (ACSIG), an insurance purchasing pool. The intent of ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in ACSIG. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG.

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses based on the claims information provided by Keenan and Associates. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2011:

| | Property and Liability |
|---|---------------------------|
| Liability Balance, June 30, 2009 | \$ 169,917 |
| Claims and changes in estimates | (173,666) |
| Claims payments | 173,666 |
| Liability Balance, June 30, 2010 | 169,917 |
| Claims and changes in estimates | (132,536) |
| Claims payments | 106,371 |
| Liability Balance, June 30, 2011 | 143,752 |
| Assets available to pay claims at June 30, 2011 | \$ 153,227 |

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement 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 the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost of living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$10,620,096, \$11,323,810, and \$12,145,501, respectively, and equal 100 percent of the required contributions for each year.

CalSTRS Cash Balance Plan Certificated staff working part-time or substitutes generally do not qualify to participate in the California State Teachers' Retirement System. The District began offering an optional retirement plan for part-time and substitute certificated staff known as the CalSTRS Cash Balance benefit plan. This is an IRS section 401A hybrid retirement benefits and survivor's benefits to beneficiaries. The plan is a cost-sharing multiple employer plan which provides retirement benefits and survivor benefits to beneficiaries.

Funding Policy Both employer and employee contribute 4 percent toward the plan. The District's contributions for the fiscal years ending June 30, 2011, 2010 and 2009 were \$41,948, \$36,526, and \$51,969, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Funding Policy Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009 were \$4,479,608, \$4,065,942, and \$4,161,901, respectively, and equal 100 percent of the required contributions for the year.

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,641,293 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Comparison Budgetary Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2011.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

| Year Ending June 30, | Lease Payment |
|-------------------------|-------------------|
| 2012 | \$ 85,222 |
| 2013 | 85,223 |
| 2014 | 85,224 |
| 2015 | 85,225 |
| 2016 | 85,226 |
| Total | <u>\$ 426,120</u> |

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

| CAPITAL PROJECT | Remaining Construction Commitment | Expected Date of Completion |
|--|---|-----------------------------------|
| Various sites - health and safety rehabilitation | \$ 80,406 | January 2012 |
| Modernization at various sites | 1,043,427 | June 2012 |
| Various sites - community development projects | 83,739 | January 2012 |
| | <u>\$ 1,207,572</u> | |

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alameda County Schools Insurance Group (ACSIG) and Nor-Cal ReLIEF public entity risk pools, and the Mission Valley Regional Occupational Program (MVROP), and the South County Transportation Group (SCTG), and the Statewide Educational Wrap Up Program (SEWUP) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its workers' compensation, and property liability coverage. The District pays the Mission Valley Regional Occupational Program apportionments related to its ROP attendance. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the Governing board of each entity.

During the year ended June 30, 2011, the District made payments of \$1,134,995 and \$4,948,180 to Nor-Cal ReLiEF and Alameda County Schools Insurance Group (ACSIG) public entity risk pools, respectively for services received.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

| | Budgeted Amounts | | Actual | Variances - |
|--|-------------------------|----------------------|----------------------|------------------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| | | | | Final to Actual |
| REVENUES | | | | |
| Revenue limit sources | \$ 156,164,549 | \$ 166,370,768 | \$ 166,416,674 | \$ 45,906 |
| Federal sources | 14,727,276 | 31,700,162 | 22,801,024 | (8,899,138) |
| Other state sources | 61,758,758 | 65,323,743 | 66,311,090 | 987,347 |
| Other local sources | 2,771,118 | 7,337,062 | 7,632,184 | 295,122 |
| Total Revenues ¹ | 235,421,701 | 270,731,735 | 263,160,972 | (7,570,763) |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated salaries | 131,565,992 | 131,261,765 | 130,776,155 | 485,610 |
| Classified salaries | 38,484,503 | 39,401,410 | 40,105,877 | (704,467) |
| Employee benefits | 29,836,911 | 29,857,821 | 29,580,997 | 276,824 |
| Books and supplies | 10,098,528 | 24,311,411 | 8,377,784 | 15,933,627 |
| Services and operating expenditures | 21,702,074 | 23,969,323 | 23,239,131 | 730,192 |
| Other outgo | 15,831,855 | 16,589,481 | 17,438,481 | (849,000) |
| Capital Outlay | 311,070 | 1,668,111 | 1,620,668 | 47,443 |
| Debt service - principal | 23,340 | 195,505 | 195,505 | - |
| Debt service - interest | 4,051 | 43,201 | 43,201 | - |
| Total Expenditures ¹ | 247,858,324 | 267,298,028 | 251,377,799 | 15,920,229 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (12,436,623) | 3,433,707 | 11,783,173 | 8,349,466 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 599,655 | 599,655 | 601,074 | 1,419 |
| Other sources | - | - | 360,983 | 360,983 |
| Transfers out | (4,197,208) | (3,947,524) | (4,291,379) | (343,855) |
| Net Financing Sources (Uses) | (3,597,553) | (3,347,869) | (3,329,322) | 18,547 |
| NET CHANGE IN FUND BALANCES | (16,034,176) | 85,838 | 8,453,851 | 8,368,013 |
| Fund Balance - Beginning | 30,940,514 | 30,940,514 | 30,940,514 | - |
| Fund Balance - Ending | \$ 14,906,338 | \$ 31,026,352 | \$ 39,394,365 | \$ 8,368,013 |

¹ On behalf payments of \$5,641,293 are not included in the actual revenues and expenditures, nor the budgeted amounts.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|---|--|--|--|---------------------------------|--------------------------------|--|
| July 1, 2008 | \$ - | \$ 45,450,000 | \$ 45,450,000 | 0% | \$ 194,347,000 | 23.39% |
| July 1, 2010 | \$ - | \$ 54,810,299 | \$ 54,810,299 | 0% | \$ 177,744,963 | 30.84% |

SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

| Federal Grantor/Pass-Through Grantor/Program | Federal Catalog Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|------------------------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Adult Education - Basic Ed | 84.002A | 14508 | \$ 417,911 |
| Adult Education - Adult Secondary Education | 84.002 | 13978 | 26,440 |
| Adult Education - English Literacy & Civics Ed | 84.002A | 14109 | 202,680 |
| Elementary & Secondary Education Act: NCLB | | | |
| Title I - Basic Grants | 84.010 | 14981 | 2,796,105 |
| ARRA: Title I, Basic Grants | 84.389 | 15005 | 628,298 |
| Title I - Migrant Education Summer Program | 84.011 | 10005 | 15,304 |
| Title I - Migrant Education | 84.011 | 14326 | 62,430 |
| Title II - Part A, Teacher Quality | 84.367 | 14341 | 405,137 |
| Title II, Part D, Enhancing Ed Through Technology | 84.318 | 14334 | 20,950 |
| ARRA: Title II, Part D, Enhancing Education Through Technology | 84.386 | 15019 | 62,990 |
| Title III - Limited English Proficiency | 84.365 | 14346 | 741,980 |
| Title IV - Part A, Drug Free School | 84.186 | 14347 | 34,057 |
| Title X, McKinney-Vento Homeless Assistance | 84.196 | 14332 | 41,848 |
| ARRA: Title X, McKinney-Vento Homeless Assistance | 84.387 | 15007 | 48,612 |
| Indian Education | 84.060 | 10011 | 49,693 |
| Smaller Learning Communities | 84.215L | 14362 | 459,665 |
| ARRA: State Fiscal Stabilization Fund | 84.394 | 25008 | 1,453,520 |
| Education Jobs Fund | 84.410 | 25152 | 153,918 |
| Special Education: IDEA- State Grants | | | |
| Basic Local Assistance Entitlement | 84.027 | 13379 | 7,983,479 |
| ARRA: Basic Local Assistance | 84.391 | 15003 | 5,056,945 |
| Local Assistance, Private School ISPs | 84.027 | 10115 | 72,057 |
| ARRA: IDEA Local Assistance , Private School ISPs | 84.391 | 10123 | 4,065 |
| Preschool Local Entitlement | 84.027A | 13682 | 539,841 |
| ARRA: IDEA Preschool Local Entitlement | 84.391 | 15002 | 181,519 |
| Preschool Grants | 84.173 | 13430 | 317,004 |
| ARRA: Preschool Grants | 84.392 | 15000 | 39,080 |
| Preschool Staff Development | 84.173A | 13431 | 4,510 |
| IDEA Early Intervention Grants | 84.181 | 23761 | 211,330 |
| Workability II, Transition Partnership | 84.158 | 10006 | 300,558 |
| Vocational Educational Grants | | | |
| Carl D. Perkins Career and Tech Ed: Secondary, Section 131 | 84.048 | 14894 | 125,625 |
| Subtotal | | | <u>22,457,551</u> |

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

| | | | |
|--|--------|-------|----------------------|
| DEPARTMENT OF HEALTH CARE SERVICES | | | |
| Medi-Cal Administrative Activities (MAA) | 93.778 | 10060 | 826,745 |
| Medi-Cal Billing Option | 93.778 | 10013 | 90,329 |
| Subtotal | | | <u>917,074</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | |
| Passed through California Department of Education | | | |
| CalServe: Learn and Serve America | 94.004 | 14939 | 89,215 |
| Subtotal | | | <u>89,215</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through California Department of Education | | | |
| Basic Breakfast | 10.553 | 13525 | 10,863 |
| Needy Breakfast | 10.553 | 13525 | 296,105 |
| National School Lunch Program (NSL Sec 4 & Sec 11) | 10.553 | 13523 | 2,219,200 |
| Fair Market Value of Commodity Received ^[1] | 10.555 | 13396 | 412,409 |
| Subtotal | | | <u>2,938,577</u> |
| Total | | | <u>\$ 26,402,417</u> |

¹ Amount not included in financial statement

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2011

ORGANIZATION

The Fremont Unified School District was established on July 1, 1964 and consists of an area comprising approximately 90 square miles. The District operates 28 elementary schools, 5 middle schools, 5 high schools, a continuation, an adult school, and a charter school.

The Fremont Unified School District was granted a charter school in May 1998 pursuant to Ed Code Section 47605. The Charter operates one school, which is Circle of Independent learning Charter School.

GOVERNING BOARD

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|----------------|----------------|---------------------|
| Bryan Gebhardt | President | 2012 |
| Lily Mei | Vice President | 2012 |
| Ivy Wu | Clerk | 2012 |
| Larry Sweeney | Member | 2014 |
| Lara York | Member | 2014 |

ADMINISTRATION

| <u>NAME</u> | <u>TITLE</u> |
|------------------|---|
| James Morris | Superintendent |
| Micaela Ochoa | Assistant Superintendent, Business Services |
| Steve J. Betando | Assistant Superintendent, Human Resources |
| Deborah Sims | Assistant Superintendent, Instruction |

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|---------------------------------------|---------------------------------|--------------------------|
| ELEMENTARY | | |
| Kindergarten | 2,456 | 2,449 |
| First through third | 7,274 | 7,264 |
| Fourth through sixth | 6,816 | 6,802 |
| Seventh and eighth | 4,465 | 4,453 |
| Opportunity schools | 15 | 17 |
| Home and hospital | 8 | 8 |
| Special education | 723 | 765 |
| Total Elementary | <u>21,757</u> | <u>21,758</u> |
| SECONDARY | | |
| Regular classes | 9,024 | 8,960 |
| Continuation education | 212 | 221 |
| Opportunity schools | 13 | 12 |
| Home and hospital | 20 | 23 |
| Special education | 370 | 388 |
| Total Secondary | <u>9,639</u> | <u>9,604</u> |
| Total K-12 | <u>31,396</u> | <u>31,362</u> |
| OTHERS | | |
| Charter school - Non-Classroom Based* | <u>241</u> | <u>241</u> |
| Full-time independent study | <u>83</u> | <u>82</u> |

*The Charter School does not provide classroom-based instruction.

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Grade Level</u> | <u>1982-83 Actual Minutes</u> | <u>Reduced 1982-83 Actual Minutes</u> | <u>1986-87 Minutes Requirement</u> | <u>Reduced 1986-87 Minutes Requirement</u> | <u>2010-2011 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|--------------------|---------------------------------------|---|--|--|---|--|---------------|
| Kindergarten | 31,500 | 30,625 | 36,000 | 35,000 | 35,400 | 177 | In compliance |
| Grades 1 - 3 | | | | | | | |
| Grades 1 | 42,000 | 40,833 | 50,400 | 49,000 | 50,445 | 177 | In compliance |
| Grades 2 | 42,000 | 40,833 | 50,400 | 49,000 | 50,445 | 177 | In compliance |
| Grades 3 | 42,000 | 40,833 | 50,400 | 49,000 | 50,445 | 177 | In compliance |
| Grades 4 - 6 | | | | | | | |
| Grades 4 | 52,500 | 51,042 | 54,000 | 52,500 | 53,100 | 177 | In compliance |
| Grades 5 | 52,500 | 51,042 | 54,000 | 52,500 | 53,100 | 177 | In compliance |
| Grades 6 | 52,500 | 51,042 | 54,000 | 52,500 | 53,100 | 177 | In compliance |
| Grades 7 - 8 | | | | | | | |
| Grades 7 | 56,535 | 54,965 | 54,000 | 52,500 | 56,640 | 177 | In compliance |
| Grades 8 | 56,535 | 54,965 | 54,000 | 52,500 | 56,640 | 177 | In compliance |
| Grades 9 - 12 | | | | | | | |
| Grades 9 | 49,000 | 47,639 | 64,800 | 63,000 | 63,720 | 177 | In compliance |
| Grades 10 | 49,000 | 47,639 | 64,800 | 63,000 | 63,720 | 177 | In compliance |
| Grades 11 | 49,000 | 47,639 | 64,800 | 63,000 | 63,720 | 177 | In compliance |
| Grades 12 | 49,000 | 47,639 | 64,800 | 63,000 | 63,720 | 177 | In compliance |

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

LONG TERM OBLIGATIONS

| | |
|---|------------------------------|
| Total Liabilities, June 30, 2011, Unaudited Actuals | \$ 213,132,909 |
| Decrease in bond premiums | (218,892) |
| Increase in OPEB obligation | <u>475,521</u> |
| Total Liabilities, June 30, 2011, Audited Financial Statement | <u><u>\$ 213,389,538</u></u> |

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

| | (Budget) 2012 | 2011 | 2010 | 2009 |
|---|------------------|----------------|----------------|----------------|
| GENERAL FUND | | | | |
| Revenues | \$ 235,602,787 | \$ 263,160,972 | \$ 256,340,614 | \$ 271,033,334 |
| Other sources and transfers in | 619,655 | 962,057 | 3,116,306 | 563,238 |
| Total Revenues and Other Sources | 236,222,442 | 264,123,029 | 259,456,920 | 271,596,572 |
| Expenditures | 239,671,424 | 251,377,799 | 254,481,029 | 264,247,026 |
| Other uses and transfers out | 3,947,524 | 4,291,379 | 5,891,303 | 1,433,840 |
| Total Expenditures and Other Uses | 243,618,948 | 255,669,178 | 260,372,332 | 265,680,866 |
| INCREASE (DECREASE) IN FUND BALANCE | \$ (7,396,506) | \$ 8,453,851 | \$ (915,412) | \$ 5,915,706 |
| ENDING FUND BALANCE | \$ 31,997,859 | \$ 39,394,365 | \$ 30,940,514 | \$ 31,855,926 |
| AVAILABLE RESERVES ² | \$ 14,271,226 | \$ 21,726,465 | \$ 21,795,552 | \$ 8,417,514 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³ | 5.9% | 8.5% | 8.4% | 3.20% |
| LONG-TERM OBLIGATIONS | \$ 206,574,164 | \$ 213,389,538 | \$ 215,844,856 | \$ 209,743,195 |
| AVERAGE DAILY ATTENDANCE AT P-2 ⁴ | 31,369 | 31,396 | 31,088 | 30,964 |

The General Fund balance has increased by \$7,538,439 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$7,396,506 (19 percent). For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in one of the three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have increased by \$3,646,343 over the past two years.

Average daily attendance has increased by 432 over the past two years. A decrease of 27 ADA is anticipated during fiscal year 2011-2012.

¹ Budget 2012 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$5,641,293, \$5,846,097, and \$6,642,025 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009.

⁴ Excludes adult education and ROP ADA.

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Name of Charter School</u> | <u>Included in Audit Report</u> |
|---|-------------------------------------|
| Circle of Independent Learning Charter School | Yes |

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

| | <u>Adult Fund</u> | <u>Child Dev Fund</u> | <u>Cafeteria Fund</u> | <u>Def Maint. Fund</u> | <u>Charter School Fund</u> |
|--|-----------------------|---------------------------|---------------------------|----------------------------|------------------------------------|
| ASSETS | | | | | |
| Deposits and investments | \$ 2,231,692 | \$ 516,845 | \$ 844,082 | \$ 2,779,278 | \$ 882,701 |
| Receivables | 448,214 | 122,859 | 165,031 | 4,866 | 279,251 |
| Due from other funds | 1,842,833 | - | - | 1,030,265 | 138,463 |
| Prepaid expenditures | 90 | - | - | - | 4,879 |
| Stores inventories | - | - | 157,303 | - | - |
| Total assets | <u>\$ 4,522,829</u> | <u>\$ 639,704</u> | <u>\$ 1,166,416</u> | <u>\$ 3,814,409</u> | <u>\$ 1,305,294</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 113,063 | \$ 54,377 | \$ 172,317 | \$ 50,327 | \$ 31,990 |
| Due to other funds | 1,895,480 | 452,463 | 250,942 | 1,226,506 | 47,606 |
| Deferred revenue | - | 16,119 | - | - | 46,574 |
| Total liabilities | <u>2,008,543</u> | <u>522,959</u> | <u>423,259</u> | <u>1,276,833</u> | <u>126,170</u> |
| Fund Balances: | | | | | |
| Nonspendable | 90 | - | 157,303 | - | 4,879 |
| Restricted | 65,797 | 116,745 | 585,854 | - | 62,439 |
| Assigned | 2,448,399 | - | - | 2,537,576 | 1,111,806 |
| Total fund balance | <u>2,514,286</u> | <u>116,745</u> | <u>743,157</u> | <u>2,537,576</u> | <u>1,179,124</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,522,829</u> | <u>\$ 639,704</u> | <u>\$ 1,166,416</u> | <u>\$ 3,814,409</u> | <u>\$ 1,305,294</u> |

See accompanying note to other supplementary information.

| Building Fund | Capital Facilities Fund | State School Building Fund | County School Facilities Fund | Bond Interest and Redemption Fund | Non Major Governmental Funds |
|----------------------|--------------------------------|-----------------------------------|--------------------------------------|--|-------------------------------------|
| \$ 1,411,880 | \$6,295,250 | \$ 15,648 | \$ 1,442 | \$ 10,780,009 | \$ 25,758,827 |
| 2,557 | 15,371 | 28 | 2 | 18,341 | 1,056,520 |
| - | - | - | - | - | 3,011,561 |
| - | - | - | - | - | 4,969 |
| - | - | - | - | - | 157,303 |
| <u>\$ 1,414,437</u> | <u>\$6,310,621</u> | <u>\$ 15,676</u> | <u>\$ 1,444</u> | <u>\$ 10,798,350</u> | <u>\$ 29,989,180</u> |
| | | | | | |
| \$ 140,853 | \$ 26,106 | \$ - | \$ - | \$ - | 589,033 |
| - | - | - | - | - | 3,872,997 |
| - | - | - | - | - | 62,693 |
| <u>140,853</u> | <u>26,106</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,524,723</u> |
| | | | | | |
| - | - | - | - | - | 162,272 |
| 1,273,584 | 6,284,515 | 15,676 | 1,444 | 10,798,350 | 19,204,404 |
| - | - | - | - | - | 6,097,781 |
| <u>1,273,584</u> | <u>6,284,515</u> | <u>15,676</u> | <u>1,444</u> | <u>10,798,350</u> | <u>25,464,457</u> |
| | | | | | |
| <u>\$ 1,414,437</u> | <u>\$6,310,621</u> | <u>\$ 15,676</u> | <u>\$ 1,444</u> | <u>\$ 10,798,350</u> | <u>\$ 29,989,180</u> |

FREMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

| | Adult Fund | Child Development Fund | Cafeteria Fund | Def Maint. Fund | Charter School Fund |
|--|-----------------------|---------------------------------------|---------------------------|----------------------------|------------------------------------|
| REVENUES | | | | | |
| Revenue limit sources | \$ - | \$ - | \$ - | \$ - | \$ 1,363,271 |
| Federal sources | 647,031 | - | 2,526,169 | - | 15,784 |
| Other state sources | 141,754 | 1,160,653 | 204,277 | - | 160,811 |
| Other local sources | 553,854 | 225,266 | 3,238,800 | 10,988 | 10,952 |
| Total Revenues | 1,342,639 | 1,385,919 | 5,969,246 | 10,988 | 1,550,818 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 1,835,166 | 898,361 | - | - | 1,152,176 |
| Instruction related activities: | | | | | |
| Supervision of instruction | 28,554 | 419,993 | - | - | 22,538 |
| Instructional library, media & technology | 269,705 | - | - | - | 3,884 |
| School site administration | 831,379 | - | - | - | 185,423 |
| Pupil Services: | | | | | |
| Food services | - | - | 5,589,539 | - | - |
| All other pupil services | - | - | - | - | 9,286 |
| General administration: | | | | | |
| Data processing | - | - | - | - | 2,984 |
| All other general administration | 105,867 | 58,388 | 249,561 | - | 112,331 |
| Plant services | 233,817 | - | 31,216 | 170,595 | 22,491 |
| Facility acquisition and construction | - | - | - | 310,452 | - |
| Ancillary services | - | - | - | - | 1,600 |
| Other outgo | - | - | - | - | 2,605 |
| Debt service | | | | | |
| Principal | - | 1,006 | 34,416 | - | - |
| Interest and other | - | 542 | 1,769 | - | - |
| Total Expenditures | 3,304,488 | 1,378,290 | 5,906,501 | 481,047 | 1,515,318 |
| Excess (deficiency) of revenues over expenditures | (1,961,849) | 7,629 | 62,745 | (470,059) | 35,500 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 3,261,114 | - | - | 1,030,265 | - |
| Net Financing Sources (Uses) | 3,261,114 | - | - | 1,030,265 | - |
| NET CHANGE IN FUND BALANCES | 1,299,265 | 7,629 | 62,745 | 560,206 | 35,500 |
| Fund Balance - Beginning | 1,215,021 | 109,116 | 680,412 | 1,977,370 | 1,143,624 |
| Fund Balance - Ending | \$ 2,514,286 | \$ 116,745 | \$ 743,157 | \$ 2,537,576 | \$ 1,179,124 |

See accompanying note to other supplementary information.

| Building Fund | Capital Facilities Fund | State School Building Fund | County School Facilities Fund | Bond Interest and Redemption Fund | Nonmajor Governmental Funds |
|----------------------|--------------------------------|-----------------------------------|--------------------------------------|--|------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,363,271 |
| - | - | - | - | - | 3,188,984 |
| - | - | - | - | 95,314 | 1,762,809 |
| 16,218 | 2,113,349 | 85 | 454 | 12,341,500 | 18,511,466 |
| <u>16,218</u> | <u>2,113,349</u> | <u>85</u> | <u>454</u> | <u>12,436,814</u> | <u>24,826,530</u> |
| - | - | - | - | - | 3,885,703 |
| - | - | - | - | - | 471,085 |
| - | - | - | - | - | 273,589 |
| - | - | - | - | - | 1,016,802 |
| - | - | - | - | - | 5,589,539 |
| - | - | - | - | - | 9,286 |
| - | - | - | - | - | 2,984 |
| - | 156,207 | - | - | - | 682,354 |
| 32,888 | 170,825 | - | - | - | 661,832 |
| 5,131,940 | 329,020 | - | - | - | 5,771,412 |
| - | - | - | - | - | 1,600 |
| - | - | - | - | - | 2,605 |
| - | 1,000,000 | - | - | 3,397,625 | 4,433,047 |
| - | 47,500 | - | - | 10,136,426 | 10,186,237 |
| <u>5,164,828</u> | <u>1,703,552</u> | <u>-</u> | <u>-</u> | <u>13,534,051</u> | <u>32,988,075</u> |
| <u>(5,148,610)</u> | <u>409,797</u> | <u>85</u> | <u>454</u> | <u>(1,097,237)</u> | <u>(8,161,545)</u> |
| - | - | - | - | - | 4,291,379 |
| - | - | - | - | - | 4,291,379 |
| (5,148,610) | 409,797 | 85 | 454 | (1,097,237) | (3,870,166) |
| 6,422,194 | 5,874,718 | 15,591 | 990 | 11,895,587 | 29,334,623 |
| <u>\$ 1,273,584</u> | <u>\$ 6,284,515</u> | <u>\$ 15,676</u> | <u>\$ 1,444</u> | <u>\$ 10,798,350</u> | <u>\$ 25,464,457</u> |

FREMONT UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

| Description | CFDA Number | Amount |
|---|----------------|---------------|
| Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance: | | \$ 25,990,008 |
| Reconciled items: | | |
| Commodites Received | 10.555 | 412,409 |
| Total Schedule of Expenditures of Federal Awards | | \$ 26,402,417 |

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 | 84.027 | \$ 1,966,120 | \$ 1,014,130 | \$ 2,980,250 |
| Local Assistance - Private Schoo | 84.027 | 3,695 | 36,953 | 40,648 |
| Federal Preschool | 84.173 | 75,825 | 55,727 | 131,552 |
| Preschool Local | 84.027A | 129,126 | 94,900 | 224,026 |
| Preschool Staff Development | 84.173A | 1,079 | 793 | 1,872 |
| Low Incidence Services | 84.027A | 1,641 | 1,281 | 2,922 |
| Staff Development | N/A | 4,761 | 2,588 | 7,349 |
| Mental Health Services | N/A | 64,880 | 34,426 | 99,306 |
| SB70 One-Time Mental Health | N/A | 223,954 | 116,072 | 340,026 |
| | | \$ 2,471,081 | \$ 1,356,870 | \$ 3,827,951 |

FREMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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 apportionment's of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District, and displays information for each Charter School on whether or not the Charter School is included in the School District or County Office of Education audit.

Non-major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The Non-major Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

INDEPENDENT AUDITORS' REPORTS



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**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***

Governing Board
Fremont Unified School District
Fremont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District as of and for the year ended June 30, 2011, which collectively comprise Fremont Unified School District's basic financial statements and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described as items 2010-1 to 2010-3 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
December 13, 2011



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

Governing Board
Fremont Unified School District
Fremont, California

Compliance

We have audited the Fremont Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2011. Fremont Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Fremont Unified School District's management. Our responsibility is to express an opinion on Fremont Unified School District's compliance based on our audit.

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

In our opinion, Fremont Unified School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of Fremont Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Fremont Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fremont Unified School 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Varrinek, Trine, Day & Co., LLP

Pleasanton, California
December 13, 2011



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Fremont Unified School District
Fremont, California

We have audited Fremont Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Fremont Unified School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Fremont Unified School District's management. Our responsibility is to express an opinion on Fremont Unified School District's compliance based on our audit.

We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of Fremont Unified School District's compliance with those requirements.

In our opinion, Fremont Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Fremont Unified School District's compliance with the State laws and regulations applicable to the following items:

| | <u>Procedures in Audit Guide</u> | <u>Procedures Performed</u> |
|--|--------------------------------------|---------------------------------|
| Attendance Accounting: | | |
| Attendance reporting | 8 | Yes |
| Kindergarten continuance | 3 | Yes |
| Independent study | 23 | Yes |
| Continuation education | 10 | Yes |
| Instructional Time: | | |
| School districts | 6 | Yes |
| County offices of education | 3 | Not Applicable |
| Instructional Materials: | | |
| General requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early retirement incentive | 4 | Not Applicable |
| Gann limit calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Public hearing requirement - receipt of funds | 1 | Yes |
| Class Size Reduction Program (including in Charter Schools): | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not Applicable |
| District or charter schools with only one school serving K-3 | 4 | Not Applicable |
| After School Education and Safety Program | | |
| General requirements | 4 | Yes |
| After school | 4 | Yes |
| Before school | 5 | Yes |
| Charter Schools: | | |
| Contemporaneous records of attendance | 1 | Yes |
| Mode of instruction | 1 | Yes |
| Non classroom-based instruction/independent study | 15 | Yes |
| Determination of funding for non classroom-based instruction | 3 | Yes |
| Annual instruction minutes classroom based | 3 | Not Applicable |

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

VarrineK, Trine, Day & Co., LLP

Pleasanton, California
December 13, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FREMONT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|---|
| <u>84.367</u> | <u>Title II</u> |
| <u>84.365</u> | <u>Title III</u> |
| <u>84.027, 84.173, 84.181,</u> | <u>Special Education (including ARRA)</u> |
| <u>84.391 (ARRA), 84.392 (ARRA)</u> | <u></u> |
| <u></u> | <u></u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 792,073</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

STATE AWARDS

| | |
|---|--------------------|
| Type of auditors' report issued on compliance for State programs: | <u>Unqualified</u> |
| Unqualified for all programs expect for the following program/s which was/were qualified: | |

| |
|------------------------|
| <u>Name of Program</u> |
| <u>None</u> |
| <u></u> |
| <u></u> |

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 30000 | Internal Control |
| 60000 | Miscellaneous |

2011-1 STUDENT BODY ACCOUNTS (30000)

Criteria or Specific Requirements

The District operates several school sites that have Associated Student Body Accounts. These are independent accounts of student groups in which the proceeds of student fundraising activities are kept. The student groups account for these funds separately, but deposit the funds in depository accounts in the District's name. The District is responsible for enforcing effective controls over the funds. Control activities include completion of revenue potentials for fundraisers, cash collection and receipting procedures, disbursement procedures and reconciliations of financial data.

Condition

The followings were noted during current year site visits:

Brier Elementary

- Purchase orders or request forms were not used. Therefore, checks were issued without the written approval evidence.
- Pre-numbered receipts were not used for cash collections.

Harvey Green Elementary

- Purchase orders or request forms were not used. Therefore, evidence of written approval was missing.
- A summary of cash collections or cash count sheet was not used to account for money collected from the vending machines. As a result, there was no written evidence of how much was originally collected from the vending machines before it was turned in the ASB office.

Cabrillo Elementary

- Purchase orders or request forms were not used. Therefore, evidence of the written approval was missing.
- Pre-numbered receipts/alternative method such as cash log, were not used for checks received by mail.
- There was comingling of funds for student body account and the site cash collections. There was no separate general ledger/accounting record maintained to separate student body funds and site cash. In addition, they were both using the same bank account.
- Bank deposits were not always made timely to the bank. In our testing, it was revealed that cash collections of \$227 from a fundraiser received on 12/10/10 had not been deposited to the bank as of 3/23/11.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Chadborne Elementary

- There was a prohibited transaction on cash collections (pennies for patients in the amount of \$1,025).

Thornton Middle School

- Some of the disbursements did not have or receiving evidence.
- Some of the cash disbursements appeared to be prohibited expenditures. There were three disbursements for a leadership conference that the student body account advisor attended without any students. This type of expenditures would be allowable if the advisor was a chaperone.
- Student store inventory was not maintained; there was no record on inventory taken after each event.
- There was insufficient control on ticket sale. Ticket summaries were incomplete and did not document actual cash collected and overages and shortages. The ending ticket number for a sales summary tested did not agree to the ticket roll.

Robertson School

- There was comingling of funds for student body account and the site cash collections. The same receipt book was used for both student body funds and site cash.
- Some of the disbursements did not have invoice and/or receiving evidence.
- Some of the cash disbursements appeared to be prohibited expenditures.

Missing San Jose High School

- Some of the disbursements did not have or receiving evidence.
- One of the cash disbursements we reviewed appeared to be prohibited expenditure. The student body account made a donation to a non-profit organization, which is the American Red Cross. The item would be allowable if the money was collected from a fund raising activity and deposited in a trust account or the donor make a check payable to the non-profit organization.
- Sales or inventory records were not kept for the vending machine sale.
- Student store deposit does not match with the total period of daily sales report and perpetual inventory record was not maintained.

The followings were noted during prior year site visits:

Thornton Middle School

- Ticket inventory report did not appear to be properly maintained. The ending ticket sale did not reconcile with the report. The ticket event we selected for review should have 597 tickets sold, however the support detail only showed 49 tickets sold and the discrepancy was not documented.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

American High School

- Potential comingling of funds as the site used one receipt book for both ASB and site cash activities.
- Some of the receipts were missing for the month of December 2009 without explanation.
- Disbursements were not always adequately supported by receiving evidence.
- Ticket sales records were not always complete. Three out of four samples selected for tested did

Mission Valley Elementary

- Checks did not have two signatures.

Horner Elementary

- Lack of segregation of duties as the ASB activity director collected money from the students, counted the money and deposited it in the bank instead of turning in to the ASB book-keeper.
- Pre-numbered receipts were not always issued. When they were used, they were not always reconciled with the bank deposit slips.
- Ticket sales report and record for sale was not always prepared correctly. It did not indicate the beginning and ending numbers of tickets and the value of each ticket. As a result, it was not able to determine how much cash collections should be and how much actually were deposited.

Centerville Jr. High

- Revenue potential forms were not always completed

Grimmer Elementary

- Disbursements did not have written approval prior to purchase made. Pre-approval was done verbally.

Gomes Elementary

- Revenue potential forms were not used for major fundraisers.
- Receiving evidence is sometimes missing for cash disbursements
- Student body book-keeper was the second signer on the account.

Weibel Elementary

- Some of the disbursements did not have receiving evidence.

Irvington High School

- Insufficient records of ticket sale controls.
- Revenue potential forms were not always completed by some of the clubs.
- Some of the clubs had negative balances.

Washington High School

- Disbursements did not always have receiving evidence.
- There were eight stale dated checks totaling \$779.45.
- Student store had a negative balance of over \$7,000.
- Purchase order/check request did not have three approvals.

Questioned costs

There are no questioned costs associated with this condition.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Context

During our documentation and review of controls over the associated student body accounts at the sample sites, the above deficiencies were noted.

Effect

The district could be held responsible for theft or misstatement of the ASB funds.

Cause

Lack of adequate internal controls in place/insufficient training and control activities.

Recommendation

Some of the matters described above were also identified in past audits. The district should continue its efforts to work with site personnel and take actions to correct the issues. In addition, supervisory review of the procedures on a periodic basis should be preformed to detect the type of errors resulting from these conditions

District Response

The District continues its efforts working with, educating and training site personnel regarding the appropriate management of Associated Student Body (ASB) funds. In September 2011, and October 2011, the Administration provided ASB training and reference materials to site administrators. The District will conduct periodic site visits to assist site personnel and ensure policies and procedures are being followed.

2011-2 SITE CASH (30000)

Criteria or Specific Requirements

There should be established policies and procedures in place to ensure that site cash has sufficient internal controls.

Condition

In the current year site visits, the followings were revealed:

Brier Elementary

- Pre-numbered receipts were not always issued for cash collections.

Cabrillo Elementary

- Current bank reconciliation was not available for review. Site was not able to locate the bank reconciliation after May 2010.

Chadbourne Elementary

- Bank reconciliation for revolving account was not prepared.

Circle of Independent Learning

- Bank reconciliation for revolving account was not prepared.

Harvey Green Elementary

- Pre-numbered receipts were not issued for cash collections.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Mission San Jose High School

- Pre-numbered receipts did not appear to be issued timely. During our examination of January 2011 cash collections, all the receipts issued during that month were written on the same date.

During our prior year site visits, we noted the followings:

Maloney Elementary

- Cash deposits were not always made timely. At the date of audit in March 2010, there was total of \$1,205.39 worth of donations waiting to be deposited. Some of them were received in November and December of 2009.

American High School

- Pre-numbered receipts did not consistently used for all cash collections nor used for actual cash collections such as book return.
- Lack of segregation of duties. The secretary usually is the one to perform all functions including issuing receipts, making deposit to the bank and reconciling bank statement. However there was no review evidence on the bank reconciliation as compensating controls.

Gomes Elementary

- The School did not reconcile the revolving account correctly.

Centerville Junior High

- The School issued pre-numbered receipts when they made deposits to the bank but not when cash collections were turned in.

Grimmer Elementary

- The School did not reconcile the bank account with the check book balance in the same period. Site reconciled the February balance with the check book balance in March.

Also in prior year site visits, we noted the followings issues among Azevada, Mission Valley, Horner, Robertson and Vista Schools:

- Reconciliation of revolving account to the imprest amount was not done regularly. It was done once a year at year-end.
- Bank reconciliation did not have an independent review by a person other than the preparer and not always performed correctly.
- There was lack of segregation of duties on disbursements procedures. The same person wrote and signed checks from the revolving account, reconciled the bank account, received cash and made deposits.
- Pre-numbered receipts were not always utilized for cash collection.
- There was comingled of funds with student body funds and site cash as the site used the same receipt book for both.

Questioned Costs

There are no questioned costs associated with this condition.

Context

The above condition was noted during our review of the sites' cash procedures.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Effect

The District could be held liable for theft or misstatement of the funds.

Cause

Lack of internal control procedures in place.

Recommendation

The District should continue its effort to communicate with the sites regarding the policies and procedures on site cash receipting, and provide trainings that are necessary to ensure the above issues are corrected.

District response

In 2011-12, the District will provide training for district and site personnel on the proper methods of cash receipting.

2011-3 JOURNAL ENTRY PROCESS (30000)

Criteria or Specific Requirements

Effective internal controls over accounting systems include having written policies and procedures in place and include requiring approval evidence and supporting documents for all transactions.

Condition

Significant Deficiency - Approval evidence for most of the journal entries made during the 2nd half of the fiscal year and year-end closing were missing.

Questioned costs

There are no questioned costs associated with this condition.

Context

Our review of the journal entry process revealed that journal entries were not always supported by approval evidence (reviewer's initial and date of review).

Effect

Potential errors of the financial statements information in the system could go undetected.

Cause

Insufficient monitoring and review procedures.

Recommendation

In order to safeguard the correctness/appropriateness of the journal entries, we recommend that the District evaluate its existing procedures over journal entries made to the accounting records. The District should ensure that there is a journal entry authorization process and approval by a second individual should be performed and documented on the journal entry forms or a monthly journal entry summary.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

District Response

The District implemented the auditor's recommendation regarding the approval process over journal entries made to the accounting records. Staff in the Accounting Department has been assigned to review the journal entries made by the Director of Accounting.

FREMONT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

2010-1 STUDENT BODY ACCOUNTS (30000)

Criteria or Specific Requirements

The District operates several school sites that have Associated Student Body Accounts. These are independent accounts of student groups in which the proceeds of student fundraising activities are kept. The student groups account for these funds separately, but deposit the funds in depository accounts in the District's name. The District is responsible for enforcing effective controls over the funds. Control activities include completion of revenue potentials for fundraisers, cash collection and receipting procedures, disbursement procedures and reconciliations of financial data.

Condition

The followings were noted during current year site visits:

Thornton Middle School

- Ticket inventory report did not appear to be properly maintained. The ending ticket sale did not reconcile with the report. The ticket event we selected for review should have 597 tickets sold, however the support detail only showed 49 tickets sold and the discrepancy was not documented.

American High School

- Potential comingling of funds as the site used one receipt book for both ASB and site cash activities.
- Some of the receipts were missing for the month of December 2009 without explanation.
- Disbursements were not always adequately supported by receiving evidence.
- Ticket sales records were not always complete. Three out of four samples selected for tested did

The followings were noted during prior year site visits:

Mission Valley Elementary

- Checks did not have two signatures.

Horner Elementary

- Lack of segregation of duties as the ASB activity director collected money from the students, counted the money and deposited it in the bank instead of turning in to the ASB book-keeper.
- Pre-numbered receipts were not always issued. When they were used, they were not always reconciled with the bank deposit slips.
- Ticket sales report and record for sale was not always prepared correctly. It did not indicate the beginning and ending numbers of tickets and the value of each ticket. As a result, it was not able to determine how much cash collections should be and how much actually were deposited.

Robertson School

- Revenue potential forms were not always prepared for major fundraisers.
- Insufficient segregation of duties as the ASB book-keeper approved cash disbursements.
- Receipts were not always issued timely and sometimes were issued for other purposes.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Chadbourne Elementary

- Bank reconciliation was not prepared correctly and there was no evidence of supervisor's review.
- Disbursements were not always adequately supported by invoices and receiving evidence.

Centerville Jr. High

- Revenue potential forms were not always completed

Grimmer Elementary

- Disbursements did not have written approval prior to purchase made. Pre-approval was done verbally.

Gomes Elementary

- Revenue potential forms were not used for major fundraisers.
- Receiving evidence is sometimes missing for cash disbursements
- Student body book-keeper was the second signer on the account.

Weibel Elementary

- Some of the disbursements did not have receiving evidence.

Irvington High School

- Insufficient records of ticket sale controls.
- Revenue potential forms were not always completed by some of the clubs.
- Some of the clubs had negative balances.

Washington High School

- Disbursements did not always have receiving evidence.
- There were eight stale dated checks totaling \$779.45.
- Student store had a negative balance of over \$7,000.
- Purchase order/check request did not have three approvals.

Questioned costs

There are no questioned costs associated with this condition.

Context

During our documentation and review of controls over the associated student body accounts at the sample sites, the above deficiencies were noted.

Effect

The district could be held responsible for theft or misstatement of the ASB funds.

Cause

Lack of adequate internal controls in place/insufficient training and control activities.

Recommendation

Some of the matters described above were also identified in the prior year audit. The district should continue its efforts to work with site personnel and take actions to correct the issues. In addition, supervisory review of the procedures on a periodic basis should be performed to detect the type of errors resulting from these conditions.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

District Response

Site testing will be performed during 2011 to determine if school sites have implemented and maintained required corrective actions for their Associated Student Body funds. Training will be provided or repeated, and compliance status reported.

Status

Partially implemented - issues regarding Robertson school and Chadbourne Elementary were implemented. See current year finding 2011-1.

2010-2 SITE CASH (30000)

Criteria or Specific Requirements

There should be established policies and procedures in place to ensure that site cash has sufficient internal controls.

Condition

In the current year site visits, the followings were revealed:

Maloney Elementary

- Cash deposits were not always made timely. At the date of audit in March 2010, there was total of \$1,205.39 worth of donations waiting to be deposited. Some of them were received in November and December of 2009.

American high School

- Pre-numbered receipts did not consistently used for all cash collections nor used for actual cash collections such as book return.
- Lack of segregation of duties. The secretary usually is the one to perform all functions including issuing receipts, making deposit to the bank and reconciling bank statement. However there was no review evidence on the bank reconciliation as compensating controls.

During our prior year site visits, we noted the followings:

Gomes Elementary

- The School did not reconcile the revolving account correctly.

Centerville Junior High

- The School issued pre-numbered receipts when they made deposits to the bank but not when cash collections were turned in.

Grimmer Elementary

- The School did not reconcile the bank account with the check book balance in the same period. Site reconciled the February balance with the check book balance in March.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Also in prior year site visits, we noted the followings issues among Azevada, Mission Valley, Horner, Robertson and Vista Schools:

- Reconciliation of revolving account to the imprest amount was not done regularly. It was done once a year at year- end.
- Bank reconciliation did not have an independent review by a person other than the preparer and not always performed correctly.
- There was lack of segregation of duties on disbursements procedures. The same person wrote and signed checks from the revolving account, reconciled the bank account, received cash and made deposits.
- Pre-numbered receipts were not always utilized for cash collection.
- There was comingled of funds with student body funds and site cash as the site used the same receipt book for both.

Questioned Costs

There are no questioned costs associated with this condition.

Context

The above condition was noted during our review of the sites' cash procedures.

Effect

The District could be held liable for theft or misstatement of the funds.

Cause

Lack of internal control procedures in place.

Recommendation

The District should continue its effort to communicate with the sites regarding the policies and procedures on site cash receipting, and provide trainings that are necessary to ensure the above issues are corrected.

District Response

Site testing will be performed during 2011 to determine if school sites have implemented and maintained required corrective actions. Training will be provided or repeated, and compliance status reported.

Status

Not implemented, see current year finding 2011-2.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

2010-3 Time Certifications (50000)

Criteria or Specific Requirements

It is the District's responsibility to ensure that the monthly and semi-annual certifications are prepared and signed by employees and/or supervisor in a timely manner.

Condition

Significant Deficiency, Instance of Non Compliance – Some of the employees whose salaries are funded by Title II federal grants were signed in advance. The semi-annual certifications for five employees selected for review were supposed to be processed semi-annually in December 2009, but they were signed off in either September or October of 2009.

Questioned Costs

There are no questioned costs associated with the above condition.

Context

During our testing of the following Title II, CFDA #84.367, we noted the condition above.

Effect

Insufficient record keeping and potential errors on time certification.

Cause

Lack of thorough understanding of the internal control procedure in time certification preparation.

Recommendation

In-service training should be provided to responsible personnel on procedures necessary to comply with OMB A-87. These procedures should include internal audit process to ensure compliance throughout the year.

Status

Implemented.