

**FREMONT UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2010**

FREMONT UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2010

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 Balance	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	51
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	52

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	54
Local Education Agency Organization Structure	56
Schedule of Average Daily Attendance	57
Schedule of Instructional Time	58
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	59
Schedule of Financial Trends and Analysis	60
Schedule of Charter Schools	61
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	64
Note to Supplementary Information	66

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>	69
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	71
Report on State Compliance	73

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	76
Financial Statement Findings	77
Federal Award Findings and Questioned Costs	81
State Award Findings and Questioned Costs	82
Summary Schedule of Prior Audit Findings	83

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, 2010, 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 2009-10*, 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, 2010, 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 State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, 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 is not a required part of the basic financial statements, but is 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.

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 10, 2010



FREMONT UNIFIED SCHOOL DISTRICT

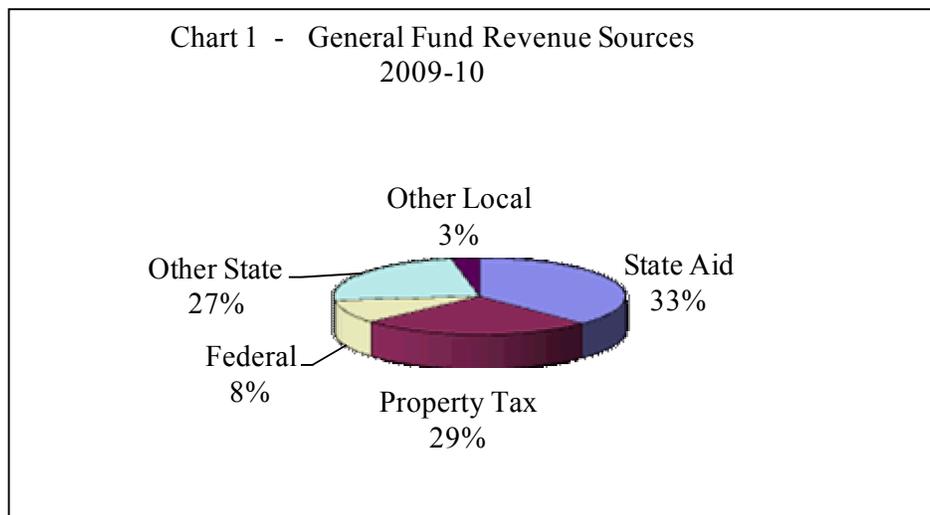
Management Discussion and Analysis

OUR 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 over 30,000 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 form 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 high schools (grades 9-12), an adult school, a continuation high school, and a charter school. The student population is richly diverse with 49% Asian (includes Indian subcontinent), 21% White, 15% Hispanic, 6% Filipino, 4% African American, 1% Pacific Islander, 4% Multiple/No Response.

FINANCIAL HIGHLIGHTS

The “revenue limit” is an amount per student per year that each school district receives to fund general education operations. Property taxes first go to fund revenue limit, and nearly all districts receive additional state aid to fully fund the revenue limit funding per student per year. Fremont School District’s revenue limit represents 61% of general fund revenue excluding on-behalf payment of \$5.8 million in Chart 1 below (state aid and property taxes). The composition of the General Fund revenue is illustrated in Chart 1:



2009-10 Results of Operations

As of June 30, 2010, excluding on-behalf payment of \$5.8 million, the District's general fund recorded total revenue/sources of \$259.5 million and total expenditures/uses of \$260.37 million, decreasing by \$0.92 million the ending fund balance from \$31.86 million to \$30.94 million. Of this amount, \$4.93 million is the required 2% economic uncertainty reserve, and \$7.61 million is the restricted column ending balance. The unrestricted undesignated reserve is \$16.87 million.

Revenue limit (state aid and property tax) revenues dropped 11.6%, Federal revenue earned decreased by 24.4%, State revenue earned increased 1%, while local revenues dropped 8.4%. General fund expenditures decreased by 4.1%. The District developed expenditure reduction plans which are partly implemented in 2009-10 and planned for 2010-11 as well. Federal stimulus (ARRA) funds continue to be spent, and an additional ARRA education jobs funding is also in place. The District uses position control to manage and limit hiring to essential positions. Unrestricted fund balance dropped primarily due to the State \$7.8 million "per ADA reduction" in 2009-10 that was designated reserved in the 2008-09 ending balance. The restricted ending balance decreased due to completing the Tier III sweeps of specific ending balances.

The 2002 Bond issue approved by voters provided for modernization and construction projects was nearly spent in 2009-10, with \$6.4 million remaining to complete various projects. The District is grateful for the local community's support for school modernization and improvements, which are overseen by our community Bond Oversight committee. Many projects improved school facilities and educational services delivery. These new buildings and modernization projects have allowed the District to better meet our mission which includes providing equitable high quality educational programs to all students with varying academic goals. The District contributed the required unrestricted general fund expenditures to the Routine Restricted Maintenance Account, to improve and maintain our community's schools.

Revenue Limit

The District's Revenue Limit decreased due to:

	<u>(in millions)</u>
• COLA (4.25%) less deficit (18.355%), \$428.82 loss per ADA:	\$ (13.28)
• An increase of 120 students in average daily attendance	0.63
• Unemployment Insurance, etc.	0.12
Total decrease	\$ <u>(12.53)</u>

For each ADA, the District received \$5,206.35 (down \$428.82 from \$5,635.17 last year) in base revenue limit. This represents a significant reduction in funding and resources, as occurred in the prior year, and we anticipate continued state deficits in the coming year.

Final Governor's Budget

In addition to the decrease in net revenue limit funding, State categorical program revenues also changed. Tier III program balance sweeps were completed, and Tier III flexibility adjustments made. In the majority of cases, the District continues to use funding for similar educational uses such as counseling, instructional materials, etc.

State categorical program revenues changed as follows: (in thousands)

• Special Education	Decrease	\$	217k
• Transportation, Regular & Special Education	Decrease		297k
• Economic Improvement Act	Decrease		194k
• K-3 Class Size Reduction(CSR)	Decrease		898k
• Mandated Cost	No Payment		0k
• Lottery	Increase		221k
• Other State funds/Tier III	Increase		1,077k
Total Net Decrease		\$	<u>308k</u>

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 two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- 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 of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District’s net assets and how they have changed. 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 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 decreased 5.4% to \$201.21 million (See Table 1, next page). The change in the District’s financial position came primarily from the funding decrease resulting in the decrease 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
	2008-09	2009-10	
Current and other assets	\$ 115.88	\$ 104.95	-9.4%
Capital assets	331.10	337.18	1.8%
Total Assets	446.98	442.13	-1.1%
Current liabilities	30.30	25.07	-17.3%
Long-term debt	203.91	215.85	5.9%
Total Liabilities	234.21	240.92	2.9%
Net assets			
Invested in capital assets, net of related debt	144.53	135.63	-6.2%
Restricted	48.90	48.36	-1.1%
Unrestricted	19.34	17.22	-11.0%
Total Net Assets	\$ 212.77	\$ 201.21	-5.4%

Changes in Net Assets

The District's total revenues decreased 9.2% to \$292.21 million (See Table 2). Decreases included State Aid and Interest and Investment earnings, as well as miscellaneous one time funds such as sale of site, from prior year. 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.

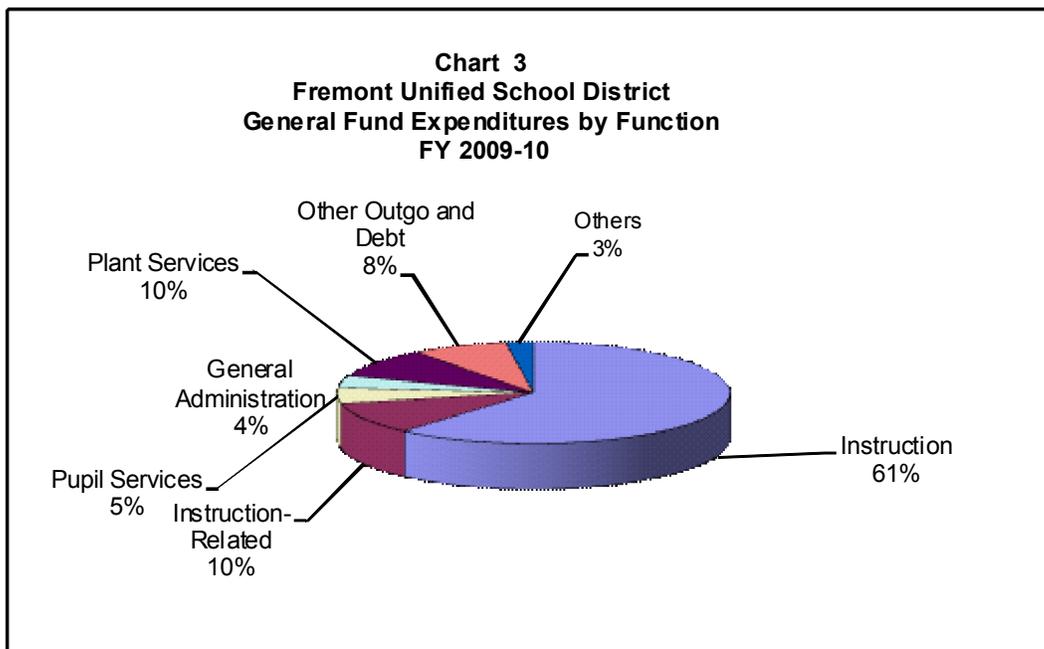
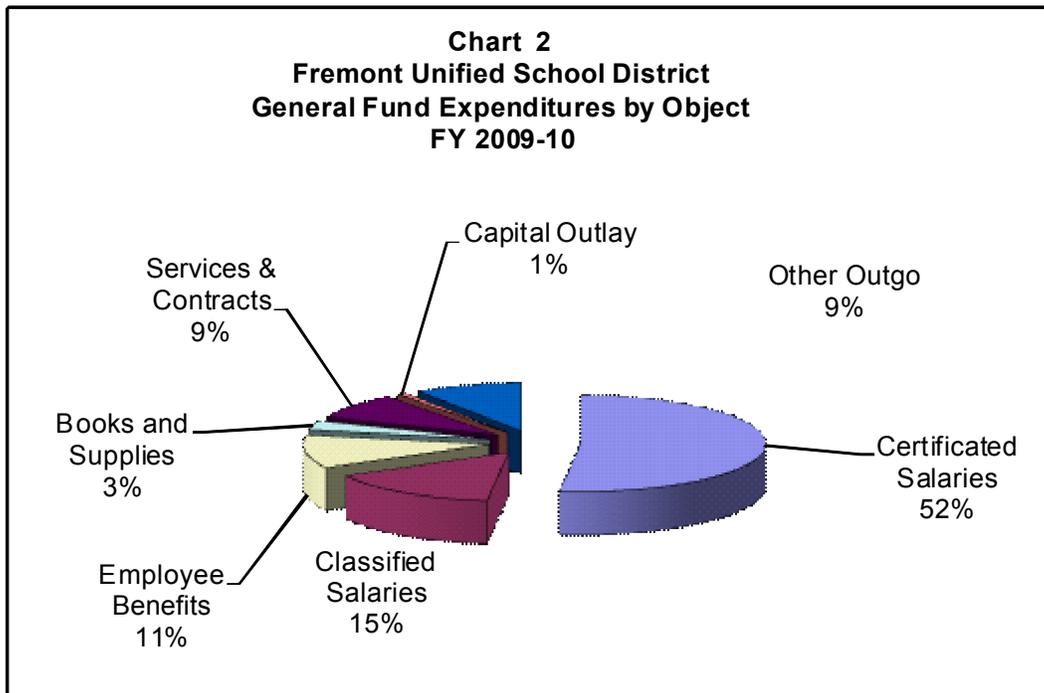
Table 2
Changes in Net Assets
(in millions of dollars)

	Governmental Activities		Percentage Change
	2008-09	2009-10	
Revenues			
Program revenues			
Charges for services	\$ 4.48	\$ 3.90	-12.9%
Operating Grants and Contributions	89.65	58.78	-34.4%
Capital Grants and Contributions	11.21	-	-100.0%
General revenues			
Property taxes	87.89	89.71	2.1%
Federal and State aid	123.64	117.63	-4.9%
Interest and investment earnings	1.59	0.57	-64.2%
Miscellaneous	3.29	21.63	557.4%
Total revenues	321.75	292.22	-9.2%
Expenses			
Instruction	181.32	171.80	-5.3%
Instruction related activities	30.82	28.89	-6.3%
Pupil services	19.27	18.39	-4.6%
General administration	11.71	11.28	-3.7%
Plant services, Facility acquisition and construction	34.13	33.51	-1.8%
Ancillary and community services	1.52	1.55	2.0%
Interest on long-term debt	10.73	10.00	-6.8%
Other outgo	17.01	28.37	66.8%
Total expenses	306.51	303.79	-0.9%
Increase (decrease) in net assets	\$ 15.24	\$ (11.57)	-175.9%

The total cost of all programs and services decreased 0.9% to \$303.79 million. Instruction, related and pupil services represents 75% of expenses, general administration 4 percent, plant & facility 8%, while other costs including debt are at 13%. Total governmental revenues were short of expenditures by \$11.58, or 4% of revenue.

Governmental Activities

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 80%).



General Fund Budgetary Highlights

Restricted programs are made up of primarily grant and entitlement programs, or “Categoricals”, with funding earmarked, or required to be used for program specific objectives and purposes. General Fund ending balance is divided into “unrestricted”, or general purpose educational programs, and “restricted” programs. General unrestricted funding is used to provide general education services and goods to students. Restricted program funding is used to provide services and goods to special education students which generally represent approximately twelve percent of the student population on average. Restricted funding also supplements regular instruction, and includes Math and Reading assistance programs, language development programs, instructional materials, counseling, staff development, and school improvement. These categorical programs include grants and entitlement awards which are received throughout the school year, sometimes even as late as June.

The original Adopted Budget projected a general fund deficit of \$8.3 million, while the second interim budget of March 2010 projected a deficit of \$18.6 million. Actual general fund operations resulted in a deficit of \$0.9 million. General fund balance began the year at \$31.86 million, decreasing to \$30.9 million.

The District general fund had a surplus in 2008-09, but a deficit as noted above for 2009-10. The general fund designated fund balance includes the required 2% economic uncertainty reserve of \$4.93 million, one time designated reserves of \$1 million, undesignated reserves of \$16.9 million, with unrestricted ending balance totaling \$22.8 million. Restricted ending balances for categorical entitlement programs were \$7.6 million.

The estimated ending balance at second interim for restricted portion of the general fund may increase at year end due to grant awards received after second interim period which allow carryover of funds. The estimated ending balance of unrestricted general education funding often rises from second interim to school year end due to additional state revenue improvement, and local expenditure controls and reductions and savings.

The second interim projection of \$9.4 million vs. the actual ending balance of \$6.6 million improved as a result of many, many variables, notably unspent additional restricted funding awarded after the second interim. The District continued monitoring costs through position control for authorized positions, planning and building budget reductions into future budgets based on significant ongoing revenue reductions from State Revenue Limit and State categorical funds. Savings occurred as a result of unfilled positions in both certificated and classified, while savings from retirements were mostly offset by step and column salary increases, and district-wide savings from reducing supply and energy costs, and deferring supply and equipment purchases.

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 & communications equipment, etc., increased by \$14.75 million, ending at \$478.02 million (see Table 3).

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

	Governmental Activities		Change
	2008-09	2009-10	
Land	\$ 9.49	\$ 9.49	\$ -
Construction in Progress	39.79	18.28	(21.51)
Site Improvements	36.16	38.91	2.75
Building Improvements	366.56	399.91	33.35
Furniture and Equipment	11.27	11.43	0.16
Totals	\$ 463.27	\$ 478.02	\$ 14.75

We present more detailed information about our capital assets in Note 4 to the financial statements.

Capital Facilities Projects

During the 2009-10 school year, the District was completing several construction and modernization schools site projects including traffic separations, renovations, and various repairs. Bond funds, state facility program funds, and capital project funds expended exceed \$16 million.

A separate bond financial and performance audit reported that District and Bond Oversight Committee oversees the bond expenditure process. The bond audit tests purchasing procedures, including bidding procedures, and compares jobs completed and related paperwork against the scope of work approved and described in the bond. It also reviews that no salaries are being paid with bond funds and examines contractor selection and financial transactions.

Long-Term Debt

As of June 30 2010, the District has a total of \$215.84 million in total long-term debt outstanding, of which \$208.11 million in general obligation bonds and \$7.73 million in other long-term debts (See Table 4). This amount represents a net increase of \$6.1 million or 2.9%.

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

	Governmental Activities		Change
	2008-09	2009-10	
General Obligation Bonds	\$ 203.28	\$ 208.11	\$ 4.83
Certificates of Participation	1.95	1.00	(0.95)
Compensated Absences	2.44	2.25	(0.19)
Capital Leases	0.38	0.47	0.09
Net OPEB Obligation	1.69	4.01	2.32
	<u>\$ 209.74</u>	<u>\$ 215.84</u>	<u>\$ 6.10</u>

We present more detailed information about our long term obligations in Note 8 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

As goes the state's economy, generally so goes the funding of School Districts throughout the state. The 2010-11 governors budget currently projects a negative 0.39% C.O.L.A., and a deficit factor of 17.963%. The statewide budget continues to reflect a structural deficit, \$6 million in the 2010-11 year, and \$19 million in the 2011-12 year. California seems to lag most of the nation with regard to economic recovery and especially unemployment. Driving much of the lack of recovery is a resistance to grow or hire staff any faster than business revenues actually grow. International competition in almost all business sectors has become extremely competitive with business hiring at aggressively conservative historical levels. Government revenues lag business and with California still representing an economic force of roughly the eighth largest economy in the world, and has higher than average unemployment nationally. Previous hopes for growth in 2011-12 and beyond now appear to be pushed out to future years. The 2011-12 year appears to be an especially financially difficult year with California projecting a \$19 billion structural deficit requiring significant compromise and revenue enhancements as well as realistic expenditure cuts across all government sectors.

The District's enrollment trend has been level or slightly growing in recent years, and is projected to remain flat in the near term. The District's general fund unrestricted-undesignated reserve of nearly \$16.9 million, in addition to increased federal economic stimulus funds, combined with a recently passed local parcel tax five year revenue stream will all combine to assist the district in avoiding cuts that significantly eliminate education programs in Fremont.

Future operating deficits could grow worse if existing revenue sources decline. State tax revenues are affected by many variables including consumer spending, business expansion or contraction, stock market trends, tax changes including tax amnesty programs, and many other variables.

GASB Statement 45 requires government agencies report all post-employment benefit agreements with bargaining units and the resulting financial liability. Fremont USD has three collective bargaining unit contracts with its three bargaining units, as well as with management, whereby if employees work 10 years or more with the District and retire from the Fremont USD upon or after age 55, the District agrees to pay the single premium cost of medical dental coverage from the point of retirement until the retiree reaches age 65.

The District obtains actuarial studies every two years as required to determine the updated costs to the District for this negotiated benefit. The recent actuarial study the District received indicated that the approximate current liability is \$54.8 million. The report also estimates the annual required contribution (ARC). The District funds the “pay-as-you-go” costs, or the actual annual medical and dental premiums of retirees qualifying for this benefit. The difference between the ARC and the pay-as-you-go amount represents the additional liability reflected on the Districts Long Term Debt. This activity will reduce the District’s audit report Statement of Net Assets over the coming 27 year period.

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:

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

FREMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
Assets	
Deposits and investments	\$ 58,726,394
Receivables	44,016,086
Prepaid expenses	150,454
Deferred charges	1,597,608
Stores inventories	456,555
Capital assets not depreciated	27,774,035
Capital assets depreciated	450,249,453
Less: Accumulated depreciation	(140,840,302)
Total assets	442,130,283
Liabilities	
Accounts payable	18,806,980
Interest payable	5,391,019
Claim liabilities	169,917
Deferred revenue	704,916
Current portion of long-term obligations	4,931,220
Noncurrent portion of long-term obligations	210,913,636
Total liabilities	240,917,688
Net Assets	
Invested in capital assets, net of related debt	135,628,439
Restricted for:	
Legally restricted	7,579,105
Debt service	6,504,568
Capital projects	29,146,146
Special revenues	5,125,543
Self insurance	6,426
Unrestricted	17,222,368
Total net assets	\$ 201,212,595

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

FREMONT UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					Governmental Activities
Instruction	\$ 171,803,665	\$ 277,873	\$ 31,269,659	\$ 8,533	\$(140,247,600)
Instruction related activities:					
Supervision of instruction	7,980,025	16,295	5,570,870	-	(2,392,860)
Instructional library, media & technology	2,263,106	3,481	46,670	-	(2,212,955)
School site administration	18,653,664	11,961	880,575	-	(17,761,128)
Pupil services:					
Home-to-school transportation	6,137,475	309,244	2,787,335	-	(3,040,896)
Food services	5,543,592	2,985,041	2,837,377	-	278,826
All other pupil services	6,713,527	15,967	2,308,502	-	(4,389,058)
General administration:					
Data processing	1,960,634	1,091	146,815	-	(1,812,728)
All other general administration	9,324,125	159,186	1,781,213	-	(7,383,726)
Plant services	33,513,703	22,625	427,308	-	(33,063,770)
Ancillary services	1,096,965	4,190	350,467	-	(742,308)
Community services	461,359	1,862	19,068	-	(440,429)
Interest on long-term obligations	9,954,919	-	-	-	(9,954,919)
Other (outgo)	28,379,660	86,688	10,357,131	-	(17,935,841)
Total governmental-type activities	\$ 303,786,419	\$ 3,895,504	\$ 58,782,990	\$ 8,533	(241,099,392)
General revenues and subventions:					
					74,291,674
					15,148,397
					271,184
					117,630,986
					567,402
					243,252
					21,381,016
					229,533,911
Change in net assets					(11,565,481)
Net assets - beginning					212,778,076
Net assets - ending					\$ 201,212,595

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

FREMONT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

	<u>General Fund</u>	<u>Special Reserve Capital Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Deposits and investments	\$ 7,897,796	\$ 23,338,729	\$ 11,877,633	\$ 15,404,121	\$ 58,518,279
Receivables	42,615,290	38,311	17,954	1,207,494	43,879,049
Due from other funds	889,134	-	-	2,435,712	3,324,846
Prepaid expenditures	145,293	-	-	5,161	150,454
Stores inventories	312,187	-	-	144,368	456,555
Total assets	<u>\$ 51,859,700</u>	<u>\$ 23,377,040</u>	<u>\$ 11,895,587</u>	<u>\$ 19,196,856</u>	<u>\$ 106,329,183</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 17,759,975	\$ 121,203	-	868,686	\$ 18,749,864
Due to other funds	2,454,295	-	-	889,134	3,343,429
Deferred revenue	704,916	-	-	-	704,916
Total liabilities	<u>20,919,186</u>	<u>121,203</u>	<u>-</u>	<u>1,757,820</u>	<u>22,798,209</u>
Fund Balances:					
Reserved for:					
Stores inventories	312,187	-	-	144,368	456,555
Other reservations	7,824,398	-	-	172,144	7,996,542
Unreserved:					
Designated	5,938,377	-	-	-	5,938,377
Undesignated, reported in:					
General fund	16,865,552	-	-	-	16,865,552
Special revenue funds	-	-	-	4,809,031	4,809,031
Debt service funds	-	-	11,895,587	-	11,895,587
Capital projects funds	-	23,255,837	-	12,313,493	35,569,330
Total fund balance	<u>30,940,514</u>	<u>23,255,837</u>	<u>11,895,587</u>	<u>17,439,036</u>	<u>83,530,974</u>
Total Liabilities and Fund Balances	<u>\$ 51,859,700</u>	<u>\$ 23,377,040</u>	<u>\$ 11,895,587</u>	<u>\$ 19,196,856</u>	<u>\$ 106,329,183</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, 2010

Total Fund Balance - Governmental Funds		\$ 83,530,974
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	\$ 478,023,488	
Accumulated depreciation is	<u>(140,840,302)</u>	
		337,183,186
In governmental funds, long term receivables for special education settlements are not recognized, however it is recognized in the government-wide financial statements.		130,276
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.		1,597,608
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.		(5,391,019)
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		6,426
Long-term obligations at year end consist of:		
Bonds payable	208,109,622	
Certificates of participation	1,000,000	
Capital leases payable	465,917	
Compensated absences (vacations)	2,249,420	
Net OPEB obligation	<u>4,019,897</u>	
Total Long-Term Obligations		<u>(215,844,856)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 201,212,595</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 BALANCE FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 155,962,967	\$ -	\$ -	\$ 1,339,285	\$ 157,302,252
Federal sources	20,926,606	-	-	2,835,705	23,762,311
Other state sources	77,856,401	-	119,718	1,952,218	79,928,337
Other local sources	7,440,737	1,159,401	15,075,120	7,678,045	31,353,303
Total Revenues	262,186,711	1,159,401	15,194,838	13,805,253	292,346,203
EXPENDITURES					
Current					
Instruction	165,661,291	-	-	4,301,886	169,963,177
Instruction related activities:					
Supervision of instruction	7,578,655	-	-	342,147	7,920,802
Instructional library, media & technology	1,861,073	-	-	390,829	2,251,902
School site administration	17,183,909	-	-	1,345,187	18,529,096
Pupil Services:					
Home-to school transportation	6,082,073	-	-	-	6,082,073
Food services	967	-	-	5,510,078	5,511,045
All other pupil services	6,641,494	-	-	7,786	6,649,280
General administration:					
Data processing	1,856,779	-	-	-	1,856,779
All other general administration	8,332,954	-	-	634,997	8,967,951
Plant services	23,594,759	89,299	-	672,046	24,356,104
Facility acquisition and construction	934,967	2,842,590	-	11,984,831	15,762,388
Ancillary services	1,084,178	-	-	-	1,084,178
Community services	457,246	-	-	-	457,246
Other outgo	18,892,573	-	9,479,688	7,399	28,379,660
Debt service					
Principal	144,115	-	39,911,326	989,153	41,044,594
Interest and other	20,093	-	9,619,811	96,816	9,736,720
Total Expenditures	260,327,126	2,931,889	59,010,825	26,283,155	348,552,995
Excess (deficiency) of revenues over expenditures	1,859,585	(1,772,488)	(43,815,987)	(12,477,902)	(56,206,792)
Other Financing Sources (Uses):					
Transfers in	2,860,655	-	-	5,891,303	8,751,958
Other sources	255,651	-	45,117,835	6,400	45,379,886
Transfers out	(5,891,303)	(579,655)	-	(2,281,000)	(8,751,958)
Other uses	-	-	(338,171)	-	(338,171)
Net Financing Sources (Uses)	(2,774,997)	(579,655)	44,779,664	3,616,703	45,041,715
NET CHANGE IN FUND BALANCES					
	(915,412)	(2,352,143)	963,677	(8,861,199)	(11,165,077)
Fund Balance - Beginning	31,855,926	25,607,980	10,931,910	26,300,235	94,696,051
Fund Balance - Ending	\$ 30,940,514	\$ 23,255,837	\$ 11,895,587	\$ 17,439,036	\$ 83,530,974

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, 2010

Total Net Change in Fund Balances - Governmental Funds		\$ (11,165,077)
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 capital outlays exceeds depreciation in the period.		
Depreciation expense	\$ (9,857,514)	
Capital outlays	<u>16,281,307</u>	
		6,423,793
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		(45,379,886)
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.		(125,265)
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(344,843)
Expenditures relating to issuance of the GO bonds are recognized in the governmental funds but they are capitalized and amortized to expense over the life of the bonds in the government-wide financial statement.		338,171
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.		195,268
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.		289,580

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, 2010

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.	41,044,594
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.	(507,779)
In the statement of Activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.	<u>(2,334,037)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (11,565,481)</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, 2010**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 208,115
Receivables	6,761
Due from other funds	18,583
Total Current Assets	<u>233,459</u>
LIABILITIES	
Current Liabilities	
Accounts payable	57,116
Claim liabilities	169,917
Total Current Liabilities	<u>227,033</u>
NET ASSETS	
Unrestricted	6,426
Total Net Assets	<u>\$ 6,426</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, 2010**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 437,435
Cash received on assessments made from other funds	101,417
Cash payments for other operating expenses	(452,319)
Net Cash Used by Operating Activities	<u>86,533</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest expense on investments	973
Net Cash Provided by Investing Activities	<u>973</u>
Net decrease in cash and cash equivalents	87,506
Cash and cash equivalents - Beginning	120,609
Cash and cash equivalents - Ending	<u><u>\$ 208,115</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	\$ (973)
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(6,148)
Due from other fund	101,417
Accounts payable	(7,763)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 86,533</u></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, 2010**

	<u>Agency Funds (ASB)</u>
ASSETS	
Deposits and investments	\$ 1,392,642
Total assets	<u>\$ 1,392,642</u>
LIABILITIES	
Due to student groups	\$ 1,392,642
Total liabilities	<u>\$ 1,392,642</u>

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

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 28 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, 2010

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this 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).

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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).

Other Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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 School 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.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Capital Projects Funds The Capital Projects Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (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 Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) 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 goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self-Insurance fund for property and liability claims fund 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, 2010

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, 2010

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, 2010

Investments

Investments held at June 30, 2010, 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, 2010

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 Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, additional board reserve, and other purposes.

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.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

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.

New Accounting Pronouncements

In March 2009, the GASB issued GASB 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 requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. The District believes the implementation of this statement will have no significant impact on the financial Statements.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 58,518,279
Proprietary funds	208,115
Fiduciary funds	1,392,642
Total Deposits and Investments	<u>\$ 60,119,036</u>

Deposits and investments as of June 30, 2010, consists of the following:

Cash on hand and in banks	\$ 1,960,032
Cash in revolving fund	100,000
Investments	58,059,004
Total Deposits and Investments	<u>\$ 60,119,036</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, 2010

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	\$ 56,883,302	\$ 56,883,302
LAIF	1,346,723	1,346,723
Total	<u>\$ 58,230,025</u>	<u>\$ 58,230,025</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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	AAA	Unrated
		Legal Rating		
County Pool	\$ 56,883,302	N/A	\$ -	\$ 56,883,302
LAIF	1,346,723	N/A	-	1,346,723
Total	<u>\$ 58,230,025</u>		<u>\$ -</u>	<u>\$ 58,230,025</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, 2010, the District's bank balance was \$2,302,925 with a carrying amount of \$2,060,032. Out of \$2,302,925, \$2,026,759 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, 2010**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Special Reserve - Capital	Bond Interest and Redemption	Nonmajor Funds	Total	Proprietary Fund
Federal Government						
Categorical aid	\$ 9,307,947	-	-	\$ 693,106	\$ 10,001,053	\$ -
State Government						
Apportionment	19,449,887	-	-	429,773	19,879,660	-
Categorical aid	5,411,732	-	-	47,477	5,459,209	-
Lottery	2,184,760	-	-	11,300	2,196,060	-
Local Government						
Interest	62,713	38,311	17,954	25,838	144,816	-
Other Local Sources	6,198,251	-	-	-	6,198,251	6,761
Total	<u>\$ 42,615,290</u>	<u>\$ 38,311</u>	<u>\$ 17,954</u>	<u>\$ 1,207,494</u>	<u>\$ 43,879,049</u>	<u>\$ 6,761</u>

Long-term receivables consist of the special education mandate settlement. The present value of this long-term receivable of \$130,276 is reflected in the statement of net assets but is not reflected in the governmental funds financial statements.

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 9,494,607	\$ -	\$ -	\$ 9,494,607
Construction in progress	39,793,361	2,906,348	24,420,281	18,279,428
Total Capital Assets not being depreciated	49,287,968	2,906,348	24,420,281	27,774,035
Capital Assets being depreciated				
Land improvements	36,154,855	2,755,114	-	38,909,969
Buildings and improvements	366,558,395	34,010,576	659,023	399,909,948
Furniture and equipment	11,273,983	1,029,550	873,997	11,429,536
Total Capital Assets being depreciated	413,987,233	37,795,240	1,533,020	450,249,453
Less Accumulated Depreciation				
Land improvements	18,248,874	1,160,271	-	19,409,145
Buildings and improvements	103,733,894	8,324,183	322,922	111,735,155
Furniture and equipment	10,188,197	373,060	865,255	9,696,002
Total Accumulated Depreciation	132,170,965	9,857,514	1,188,177	140,840,302
Governmental Activities Capital Assets, Net	\$331,104,236	\$ 30,844,074	\$24,765,124	\$ 337,183,186

Governmental Activities

Instruction	\$ 151,309
Home-to-school transportation	64,362
Data processing services	97,156
Plant services	9,544,687
Total Depreciation Expenses Governmental Activities	<u>\$ 9,857,514</u>

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, between major and nonmajor governmental funds, non-major enterprise funds, internal service funds, and fiduciary fund are as follows:

Due To	Due From		
	General	Nonmajor Governmental	Total
General	\$ -	\$ 889,134	\$ 889,134
Nonmajor Governmental	2,435,712	-	2,435,712
Total Governmental activities	2,435,712	889,134	3,324,846
Internal Service	18,583	-	18,583
Total	\$ 2,454,295	\$ 889,134	\$ 3,343,429

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.

Operating Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the followings:

Transfer To	Transfer From		
	General	Nonmajor Governmental	Total
General	\$ -	\$ 5,891,303	\$ 5,891,303
Special Reserve - Capital	579,655	-	579,655
Nonmajor governmental	2,281,000	-	2,281,000
Total	\$ 2,860,655	\$ 5,891,303	\$ 8,751,958

The General Fund transferred to Special Reserve - Capital for the rental income from Marshall site	\$ 281,000
The General Fund transferred to Deferred Maintenance for deferred maintenance program revenue allocation	3,223,613
The General Fund transferred to Adult Education Fund for its State apportionment	579,655
The Adult Education Fund transferred to General Fund to pay back the temporary loan	4,667,690
Total	\$ 8,751,958

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

	General	Special Reserve - Capital	Nonmajor Governmental	Total	Proprietary Fund
Vendor payables	\$ 10,397,478	\$ 121,203	\$ 617,901	\$ 11,136,582	\$ 57,116
Salaries and benefits	7,362,497	-	250,785	7,613,282	-
Total	<u>\$ 17,759,975</u>	<u>\$ 121,203</u>	<u>\$ 868,686</u>	<u>\$ 18,749,864</u>	<u>\$ 57,116</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2010, consists of the following:

	General Fund
Federal financial assistance	\$ 411,924
State categorical aid	378
Other local	292,614
Total	<u>\$ 704,916</u>

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, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
General obligation bonds	\$ 200,088,035	\$ 40,740,000	\$ 39,911,326	\$ 200,916,709	\$ 3,397,625
Add: Bond premiums	3,187,478	4,377,835	372,400	7,192,913	372,400
Subtotal	<u>203,275,513</u>	<u>45,117,835</u>	<u>40,283,726</u>	<u>208,109,622</u>	<u>3,770,025</u>
Certificates of participation	1,955,000	-	955,000	1,000,000	1,000,000
Accumulated vacation - net	2,444,688	-	195,268	2,249,420	-
Capital leases	382,134	262,051	178,268	465,917	161,195
Net OPEB Obligation	1,685,860	5,168,289	2,834,252	4,019,897	-
	<u>\$ 209,743,195</u>	<u>\$ 50,548,175</u>	<u>\$ 44,446,514</u>	<u>\$ 215,844,856</u>	<u>\$ 4,931,220</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.

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2009	Addition	Redeemed	Outstanding June 30, 2010
1996	2014	4.2%-6.15%	32,389,981	\$ 3,733,059	\$ -	\$ 896,350	\$ 2,836,709
1997	2019	3.5%-5.00%	29,567,002	18,960,000	-	18,960,000	-
1998	2020	3.4%-4.85%	34,519,976	28,714,976	-	19,039,976	9,675,000
2002	2026	3.0%-5.38%	85,000,000	74,215,000	-	1,000,000	73,215,000
2004	2019	2.0%-4.0%	2,335,000	2,265,000	-	15,000	2,250,000
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	-	40,740,000
				<u>\$ 200,088,035</u>	<u>\$ 40,740,000</u>	<u>\$ 39,911,326</u>	<u>\$ 200,916,709</u>

Debt Service Requirements to Maturity

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	\$ 13,072,625	\$ 10,297,847	\$ 23,370,472
2012	3,495,407	10,297,847	13,793,254
2013	3,498,846	10,242,746	13,741,592
2014	3,539,831	10,164,174	13,704,005
2015-2019	35,570,000	40,028,990	75,598,990
2020-2024	46,115,000	32,039,861	78,154,861
2025-2029	63,270,000	16,174,148	79,444,148
2030-2031	32,355,000	1,585,328	33,940,328
Total	<u>\$ 200,916,709</u>	<u>\$ 130,830,941</u>	<u>\$ 331,747,650</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, 2010, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$60,680,000. The savings related to the current year refunding was \$5,583,452 and the economic gain or loss was \$5,074,269.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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. At June 30, 2010, the principal balance outstanding was \$1,000,000.

Year Ending June 30, <u>2011</u>	<u>Principal</u> \$ 1,000,000	<u>Interest</u> \$ 47,500	<u>Total</u> \$ 1,047,500
--	----------------------------------	------------------------------	------------------------------

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$2,249,420.

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:

	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance, July 1, 2009	\$ 303,793	\$ 78,341	\$ 382,134
Additions	262,051	-	262,051
Payments/deletions	140,079	38,189	178,268
Balance, June 30, 2010	<u>\$ 425,765</u>	<u>\$ 40,152</u>	<u>\$ 465,917</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30, <u>2011</u>	<u>Lease Payment</u>
2011	\$ 204,773
2012	147,215
2013	141,229
2014	70,270
2015	5,402
Total	<u>568,889</u>
Less: Amount Representing Interest	102,972
Present Value of Minimum Lease Payments	<u>\$ 465,917</u>

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Other Postemployment Benefit (OPEB) Obligation

The District accounts for GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The District's annual required contribution (ARC) was \$5,155,951 for the year ended June 30, 2010. The District made a contribution of \$2,834,252, which was more/less than the actuarial "pay as you go" costs. Actual contributions of \$2,834,252 was deducted from the ARC, which resulted in a net increase in OPEB obligation of \$2,334,037. See Note 14 for additional information regarding the OPEB Obligation and the postemployment benefit plan. The OPEB obligation for the District at June 30, 2010, amounted to \$4,019,897.

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Reserve Capital	Bond Interest and Redemption	Nonmajor Governmental	Total
Reserved					
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Stores inventory	312,187	-	-	144,368	456,555
Prepaid expenditures	145,293	-	-	5,161	150,454
Restricted programs	7,579,105	-	-	166,983	7,746,088
Total Reserved	<u>8,136,585</u>	<u>-</u>	<u>-</u>	<u>316,512</u>	<u>8,453,097</u>
Unreserved					
Designated					
Economic uncertainties	4,930,000	-	-	-	4,930,000
Other Designations	1,008,377	-	-	-	1,008,377
Total Designated	<u>5,938,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,938,377</u>
Undesignated	<u>16,865,552</u>	<u>23,255,837</u>	<u>11,895,587</u>	<u>17,122,524</u>	<u>69,139,500</u>
Total Unreserved	<u>22,803,929</u>	<u>23,255,837</u>	<u>11,895,587</u>	<u>17,122,524</u>	<u>75,077,877</u>
Total	<u><u>\$ 30,940,514</u></u>	<u><u>\$ 23,255,837</u></u>	<u><u>\$ 11,895,587</u></u>	<u><u>\$ 17,439,036</u></u>	<u><u>\$ 83,530,974</u></u>

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit 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.

FREMONT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 2009-10, the District contributed \$2,834,252 to the plan, all of which was used for current premiums (approximately 70 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 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 obligation to the Plan:

Annual required contribution	\$ 5,155,951
Interest on net OPEB obligation	12,338
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>5,168,289</u>
Contributions made	<u>(2,834,252)</u>
Increase in net OPEB obligation	2,334,037
Net OPEB obligation, beginning of year	<u>1,685,860</u>
Net OPEB obligation, end of year	<u><u>\$ 4,019,897</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 2,988,000	\$ 2,103,684	70%	\$ 884,316
2009	3,054,854	2,253,310	74%	1,685,860
2010	5,168,289	2,834,252	55%	4,019,897

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, was 28 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 11 - 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.

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, 2010, 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.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Workers' Compensation

For fiscal year 2010, 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, 2009 to June 30, 2010:

	Property and Liability
Liability Balance, June 30, 2008	\$ 129,917
Claims and changes in estimates	(131,816)
Claims payments	171,816
Liability Balance, June 30, 2009	<u>169,917</u>
Claims and changes in estimates	(173,666)
Claims payments	173,666
Liability Balance, June 30, 2010	<u>169,917</u>
Assets available to pay claims at June 30, 2010	<u>\$ 176,343</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 – 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 2009-2010 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, 2010, 2009, and 2008, were \$11,323,810, \$12,145,501, and \$12,323,663, 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, 2010, 2009 and 2008 were \$36,526, \$51,969, and \$46,520, 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, 2010

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 2009-2010 was 9.709 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, 2010, 2009, and 2008 were \$4,065,942, \$4,161,901, and \$4,011,791, 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 \$5,846,097 (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 13 - 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, 2010.

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, 2010.

FREMONT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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
2011	\$ 93,321
2012	93,321
2013	93,321
2014	93,321
2015	93,321
2016	93,321
Total	<u>\$ 559,926</u>

Construction Commitments

As of June 30, 2010, 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	\$ 177,314	January 2011
Modernization at various sites	270,049	January 2011
Various sites - community development projects	341,608	January 2011
	<u>\$ 788,971</u>	

NOTE 14 - 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, 2010

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, 2010, the District made payments of \$12,234,841 and \$4,892,979 to Nor-Cal ReLiEF and Alameda County Schools Insurance Group (ACSIG) public entity risk pools, respectively for services received.

NOTE 15 – FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), 25 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Favorable
	Original	Final		(Unfavorable) Final to Actual
REVENUES				
Revenue limit sources	\$ 162,971,968	\$ 155,985,897	\$ 155,962,967	\$ (22,930)
Federal sources	16,556,183	27,471,627	20,926,606	(6,545,021)
Other state sources	60,477,281	69,103,364	72,010,304	2,906,940
Other local sources	3,914,670	7,909,560	7,440,737	(468,823)
Total Revenues ¹	243,920,102	260,470,448	256,340,614	(4,129,834)
EXPENDITURES				
Current				
Certificated salaries	133,059,952	136,329,079	135,023,330	1,305,749
Classified salaries	38,811,080	39,576,284	39,429,490	146,794
Employee benefits	29,030,035	29,316,010	28,873,264	442,746
Books and supplies	13,667,042	24,032,464	8,118,489	15,913,975
Services and operating expenditures	20,084,989	24,366,130	22,473,746	1,892,384
Other outgo	12,175,569	20,440,826	18,432,737	2,008,089
Capital Outlay	265,974	2,364,595	1,965,765	398,830
Debt service - principal	47,494	138,195	142,932	(4,737)
Debt service - interest	5,285	15,040	21,276	(6,236)
Total Expenditures ¹	247,147,420	276,578,623	254,481,029	22,097,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,227,318)	(16,108,175)	1,859,585	17,967,760
Other Financing Sources (Uses):				
Transfers in	579,655	2,904,733	2,860,655	(44,078)
Other sources	-	255,651	255,651	-
Transfers out	(5,648,167)	(5,685,001)	(5,891,303)	(206,302)
Other uses	(23,156)	-	-	-
Net Financing Sources (Uses)	(5,091,668)	(2,524,617)	(2,774,997)	(250,380)
NET CHANGE IN FUND BALANCES	(8,318,986)	(18,632,792)	(915,412)	17,717,380
Fund Balance - Beginning	31,855,926	31,855,926	31,855,926	-
Fund Balance - Ending	\$ 23,536,940	\$ 13,223,134	\$ 30,940,514	\$ 17,717,380

¹ On behalf payments of \$5,846,097 are not included in the above actual nor the budget amounts.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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%	\$ 182,150,754	30.09%

SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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	\$ 317,919
Adult Education - Adult Secondary Education	84.002	13978	25,126
Adult Education - English Literacy & CivicsEd	84.002A	14109	129,422
Elementary & Secondary Education Act			
Title I - Basic Grants	84.010	14981	2,415,392
ARRA: Title I, Basic Grants	84.389	15005	1,324,659
Title I - Migrant Education Even Start	84.011	14768	26,500
Title I - Migrant Education Summer Program	84.011	10005	23,363
Title I - Migrant Education	84.011	14326	86,893
Title II - Part A, Teacher Quality	84.367	14341	623,191
Title II - Part D, Enhancing Education	84.318	14334	17,203
Title III - Limited English Proficiency	84.365	10084	479,921
Title IV - Part A, Drug Free School	84.186	14347	35,677
Advanced Placement Exams - Fee Assistance	84.330	14831	16,274
Homeless Children Education	84.196	14332	68,511
ARRA: Title X, McKinney-Vento Homeless Assistance	84.387	15007	7,900
Indian Education	84.060	10011	44,740
Smaller Learning Communities	84.215L	14362	491,725
ARRA: State Fiscal Stabilization Fund	84.394	25008	2,515,940
Special Education - State Grants			
Local Assistance	84.027	13379	7,962,169
ARRA, Basic Local Assistance	84.391	15003	2,568,337
Local Assistance, Private School	84.027	10115	36,493
ARRA: Part B, Local Assistance Private School	84.391	10123	17,760
Preschool Local	84.027A	13682	535,783
ARRA, Preschool Local Entitlement	84.391	15002	108,534
Preschool Grants	84.173	13430	316,373
ARRA, Preschool Grants	84.392	15000	75,113
California Preschool Instructional Network	84.173	14530	1,781
Preschool Staff Development	84.173A	13431	2,536
Early Intervention	84.181	23761	211,330
Workability II, Transitions Partnership	84.158	10006	301,715
Vocational Educational Grants			
Technology Secondary	84.048	13924	149,816
Subtotal			<u>20,938,096</u>

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Administrative Activities (MAA)	93.778	10060	266,750
Medi-Cal Billing Option	93.778	10013	75,814
Medi-Care Part D	93.770	[1]	30,252
Subtotal			<u>372,816</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through California Department of Education			
CalServe: Learn and Serve America	94.004	13161	89,917
Subtotal			<u>89,917</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Basic Breakfast	10.553	13525	3,389
Needy Breakfast	10.553	13525	284,511
National School Lunch Program	10.553	13523	2,073,582
Fair Market Value of Commodity Received ^[2]	10.555	13396	275,890
Subtotal			<u>2,637,372</u>
Total			<u>\$ 24,038,201</u>

¹ Pass-through number is not available

² Amount not included in financial statement

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2010

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 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>
Lara York	President	2010
Bryan Gebhardt	Vice President	2012
Lily Mei	Clerk	2012
Larry Sweeney	Member	2010
Ivy Wu	Member	2012

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Milton C. Werner	Superintendent
William R. Stephens	Assistant Superintendent, Business
Steve J. Betando	Assistant Superintendent, Human Resources
Parvin Ahmadi	Assistant Superintendent, Instruction

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Amended Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	2,430	2,423
First through third	7,068	7,063
Fourth through sixth	6,800	6,754
Seventh and eighth	4,522	4,917
Opportunity schools	16	19
Home and hospital	9	9
Special education	720	721
Total Elementary	21,565	21,906
SECONDARY		
Regular classes	8,903	8,861
Continuation education	232	221
Opportunity schools	8	6
Home and hospital	17	19
Special education	363	362
Total Secondary	9,523	9,469
Total K-12	31,088	31,376
OTHERS		
Charter school - Non-Classroom Based*	250	249
Full-time independent study	70	70

* 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, 2010**

<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>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,500	30,625	36,000	35,000	36,000	180	In compliance
Grades 1 - 3							
Grades 1	42,000	40,833	50,400	49,000	51,300	180	In compliance
Grades 2	42,000	40,833	50,400	49,000	51,300	180	In compliance
Grades 3	42,000	40,833	50,400	49,000	51,300	180	In compliance
Grades 4 - 6							
Grades 4	52,500	51,042	54,000	52,500	54,000	180	In compliance
Grades 5	52,500	51,042	54,000	52,500	54,000	180	In compliance
Grades 6	52,500	51,042	54,000	52,500	54,000	180	In compliance
Grades 7 - 8							
Grades 7	56,535	54,965	54,000	52,500	57,600	180	In compliance
Grades 8	56,535	54,965	54,000	52,500	57,600	180	In compliance
Grades 9 - 12							
Grades 9	49,000	47,639	64,800	63,000	64,835	180	In compliance
Grades 10	49,000	47,639	64,800	63,000	64,835	180	In compliance
Grades 11	49,000	47,639	64,800	63,000	64,835	180	In compliance
Grades 12	49,000	47,639	64,800	63,000	64,819	180	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, 2010

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

CAPITAL ASSETS

Total ASSETS, June 30, 2010, Unaudited Actuals	\$ 380,211,052
Decrease in work in progress	<u>(43,027,866)</u>
Total ASSETS, June 30, 2010, Audited Financial Statement	<u><u>\$ 337,183,186</u></u>

LONG TERM OBLIGATIONS

Total Liabilities, June 30, 2010, Unaudited Actuals	\$ 213,510,819
Increase in OPEB obligation	<u>2,334,037</u>
Total Liabilities, June 30, 2010, Audited Financial Statement	<u><u>\$ 215,844,856</u></u>

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

	(Budget) 2011 ¹	2010	2009	2008
GENERAL FUND				
Revenues	\$ 235,421,701	\$ 256,340,614	\$ 271,033,334	\$ 269,230,328
Other sources and transfers in	599,655	3,116,306	563,238	532,800
Total Revenues and Other Sources	236,021,356	259,456,920	271,596,572	269,763,128
Expenditures	247,858,324	254,481,029	264,247,026	272,497,646
Other uses and transfers out	4,197,208	5,891,303	1,433,840	-
Total Expenditures and Other Uses	252,055,532	260,372,332	265,680,866	272,497,646
INCREASE (DECREASE) IN FUND BALANCE	\$ (16,034,176)	\$ (915,412)	\$ 5,915,706	\$ (2,734,518)
ENDING FUND BALANCE	\$ 14,906,338	\$ 30,940,514	\$ 31,855,926	\$ 25,940,220
AVAILABLE RESERVES ²	\$ 5,698,269	\$ 21,795,552	\$ 8,417,514	\$ 13,631,875
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	2.3%	8.4%	3.2%	5.12%
LONG-TERM OBLIGATIONS	\$ 210,913,636	215,844,856	\$ 209,743,195	\$ 214,318,575
AVERAGE DAILY ATTENDANCE AT P-2 ⁴	30,892	31,088	30,964	30,690

The General Fund balance has increased by \$5,000,294 over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$16,034,176 (52 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 two of the three years and anticipates incurring an operating deficit during the 2010-2011 fiscal year. Total long-term obligations have increased by \$1,526,281 over the past two years.

Average daily attendance has increased by 398 over the past two years. A decrease of 196 ADA is anticipated during fiscal year 2010-2011.

1. ¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.
2. ² Available reserves include all undesignated fund balance plus fund balance designated for economic uncertainty contained within the General Fund.
3. ³ On-behalf payments of \$5,846,097, 6,642,025, and \$6,738,414 have been excluded from the calculation of the available reserves percentage for the fiscal year ending 2010, 2009, and 2008, respectively.
4. 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, 2010**

<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, 2010**

	<u>Adult Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>
ASSETS				
Deposits and investments	\$ 356,131	\$ 118,454	\$ 441,499	\$ 791,970
Receivables	254,268	99,465	491,687	2,618
Due from other funds	1,210,171	-	30	1,223,613
Prepaid expenses	1,361	-	-	-
Stores inventories	-	-	144,368	-
Total assets	<u>\$ 1,821,931</u>	<u>\$ 217,919</u>	<u>\$ 1,077,584</u>	<u>\$ 2,018,201</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 97,074	\$ 59,291	\$ 146,839	\$ 40,831
Due to other funds	509,836	49,512	250,333	-
Total liabilities	<u>606,910</u>	<u>108,803</u>	<u>397,172</u>	<u>40,831</u>
Fund Balances:				
Reserved for:				
Legally restricted balances	-	-	144,368	-
Other reservations	58,107	48,845	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	1,156,914	60,271	536,044	1,977,370
Capital projects funds	-	-	-	-
Total fund balance	<u>1,215,021</u>	<u>109,116</u>	<u>680,412</u>	<u>1,977,370</u>
Total Liabilities and Fund Balances	<u>\$ 1,821,931</u>	<u>\$ 217,919</u>	<u>\$ 1,077,584</u>	<u>\$ 2,018,201</u>

See accompanying note to other supplementary information.

Charter School Fund	Building Funds	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Non Major Governmental Funds
\$ 889,375	\$ 6,917,935	\$ 5,873,191	\$ 15,566	\$ -	\$ 15,404,121
337,954	11,523	8,966	25	988	1,207,494
1,896	-	-	-	2	2,435,712
3,800	-	-	-	-	5,161
-	-	-	-	-	144,368
<u>\$ 1,233,025</u>	<u>\$ 6,929,458</u>	<u>\$ 5,882,157</u>	<u>\$ 15,591</u>	<u>\$ 990</u>	<u>\$ 19,196,856</u>
\$ 11,599	507,264	\$ 5,788	\$ -	\$ -	868,686
77,802	-	1,651	-	-	889,134
<u>89,401</u>	<u>507,264</u>	<u>7,439</u>	<u>-</u>	<u>-</u>	<u>1,757,820</u>
-	-	-	-	-	144,368
65,192	-	-	-	-	172,144
1,078,432	-	-	-	-	4,809,031
-	6,422,194	5,874,718	15,591	990	12,313,493
<u>1,143,624</u>	<u>6,422,194</u>	<u>5,874,718</u>	<u>15,591</u>	<u>990</u>	<u>17,439,036</u>
<u>\$ 1,233,025</u>	<u>\$ 6,929,458</u>	<u>\$ 5,882,157</u>	<u>\$ 15,591</u>	<u>\$ 990</u>	<u>\$ 19,196,856</u>

FREMONT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Revenue limit sources	\$ -	\$ -	\$ -	\$ -
Federal sources	472,467	1,781	2,361,457	-
Other state sources	223,390	1,369,562	192,077	-
Other local sources	577,023	41,597	3,612,491	17,127
Total Revenues	1,272,880	1,412,940	6,166,025	17,127
EXPENDITURES				
Current				
Instruction	2,217,200	969,605	-	-
Instruction related activities:				
Supervision of instruction	30,455	305,841	-	-
Instructional library, media and technology	390,829	-	-	-
School site administration	1,140,624	71	-	-
Pupil Services:				
Food services	-	-	5,510,078	-
All other pupil services	7,786	-	-	-
General administration:				
All other general administration	158,086	51,416	250,333	-
Plant services	349,713	-	28,273	3,450
Facility acquisition and construction	-	-	-	557,656
Other outgo	-	-	-	-
Debt service				
Principal	-	1,419	32,734	-
Interest and other	-	-	3,452	-
Total Expenditures	4,294,693	1,328,352	5,824,870	561,106
Excess (deficiency) of revenues over expenditures	(3,021,813)	84,588	341,155	(543,979)
Other Financing Sources (Uses):				
Transfers in	4,667,690	-	-	1,223,613
Other sources	-	6,400	-	-
Transfers out	(281,000)	-	-	(2,000,000)
Net Financing Sources (Uses)	4,386,690	6,400	-	(776,387)
NET CHANGE IN FUND BALANCES	1,364,877	90,988	341,155	(1,320,366)
Fund Balance - Beginning	(149,856)	18,128	339,257	3,297,736
Fund Balance - Ending	\$ 1,215,021	\$ 109,116	\$ 680,412	\$ 1,977,370

See accompanying note to other supplementary information.

Charter School Fund	Building Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Nonmajor Governmental Funds
\$ 1,339,285	\$ -	\$ -	\$ -	\$ -	\$ 1,339,285
-	-	-	-	-	2,835,705
167,189	-	-	-	-	1,952,218
11,287	67,960	3,341,915	112	8,533	7,678,045
<u>1,517,761</u>	<u>67,960</u>	<u>3,341,915</u>	<u>112</u>	<u>8,533</u>	<u>13,805,253</u>
1,115,081	-	-	-	-	4,301,886
5,851	-	-	-	-	342,147
-	-	-	-	-	390,829
204,492	-	-	-	-	1,345,187
-	-	-	-	-	5,510,078
-	-	-	-	-	7,786
67,583	-	107,579	-	-	634,997
22,665	51,486	216,459	-	-	672,046
-	10,541,293	128,523	-	757,359	11,984,831
7,399	-	-	-	-	7,399
-	-	955,000	-	-	989,153
-	-	92,863	-	501	96,816
<u>1,423,071</u>	<u>10,592,779</u>	<u>1,500,424</u>	<u>-</u>	<u>757,860</u>	<u>26,283,155</u>
<u>94,690</u>	<u>(10,524,819)</u>	<u>1,841,491</u>	<u>112</u>	<u>(749,327)</u>	<u>(12,477,902)</u>
-	-	-	-	-	5,891,303
-	-	-	-	-	6,400
-	-	-	-	-	(2,281,000)
-	-	-	-	-	3,616,703
94,690	(10,524,819)	1,841,491	112	(749,327)	(8,861,199)
1,048,934	16,947,013	4,033,227	15,479	750,317	26,300,235
<u>\$ 1,143,624</u>	<u>\$ 6,422,194</u>	<u>\$ 5,874,718</u>	<u>\$ 15,591</u>	<u>\$ 990</u>	<u>\$ 17,439,036</u>

FREMONT UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

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 Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount represents Federal funds that have not been recorded as revenues in the financial statement as of June 30, 2010.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 23,762,311
Reconciled items:		
Commodities Received	10.555	275,890
Total Schedule of Expenditures of Federal Awards		<u>\$ 24,038,201</u>

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	\$ 1,967,986	\$ 1,063,329	\$ 3,031,315
ARRA - Local Assistance	84.391	1,232,497	919,596	2,152,093
ARRA - Preschool grant	84.392	50,318	40,680	90,998
Preschool Local	84.027A	65,898	74,494	140,392
ARRA - Preschool Local	84.391	93,685	57,710	151,395
Federal Preschool	84.173	38,912	43,988	82,900
Low Incidence	84.027A	1,153	-	1,153
Local Staff Development	84.027A	-	2,745	2,745
Preschool Staff Development	84.173A	312	353	665
		<u>\$ 3,450,761</u>	<u>\$ 2,202,895</u>	<u>\$ 5,653,656</u>

FREMONT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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. Senate Bill 2 of the 2009-10 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 thru 2012-13.

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 Balance 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 Balance.

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, 2010, which collectively comprise Fremont Unified School District's basic financial statements and have issued our report thereon dated December 10, 2010. 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

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 2010-2 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2010



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

VALUE THE DIFFERENCE

**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 compliance of Fremont Unified School District 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 its Fremont Unified School District's major Federal programs for the year ended June 30, 2010. 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, 2010.

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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-3. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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, 2010, and have issued our report thereon dated December 10, 2010. 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 2009-10*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Fremont Unified School District's management. 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:

	Procedures in Audit Guide	Procedures Performed
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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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

Based on our audit, we found that for the items tested, the Fremont Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Fremont Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Fremont Unified School District's compliance with the State laws and regulations referred to 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, 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 10, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FREMONT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010, 84.389 (ARRA)</u>	<u>Title I (including ARRA)</u>
<u>84.367</u>	<u>Title II</u>
<u>10.533, 10555</u>	<u>Child Nutrition Cluster</u>
<u>84.027, 84.173, 84.181,</u>	<u>Special Education (including ARRA)</u>
<u>84.391 (ARRA)</u>	
<u>84.394</u>	<u>ARRA: State Fiscal Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 721,145</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State 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 State programs:	<u>Unqualified</u>

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENT FINDINGS

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

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 following 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

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

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.

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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 preformed to detect the type of errors resulting from these conditions

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.

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 note 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

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

FREMONT UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following finding represents significant deficiency including questioned costs that are required to be reported by OMB Circular A-133. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

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.

District Response

Semi-annual time certifications for Title II will be signed no sooner than the last week of each respective semester. Certifications will be provided to staff at those times for signature.

FREMONT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

2009-1 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 receiving procedures, disbursement procedures and reconciliations of financial data.

Condition

The followings were noted during current year site visits:

Mission Valley Elementary

- Bank reconciliation did not have evidence of supervisor's review.
- Purchase order or request form was not used. Therefore, approval evidence was missing.
- Checks did not have two signatures.
- Disbursements were not always adequately supported by invoices and receiving evidence.
- Pre-numbered receipts were not always issued.
- Daily sales reports were not prepared and perpetual inventory was not maintained for the student store.

Hirsch Elementary

- Bank reconciliation did not have evidence of supervisor's review.
- Purchase order or request form was not used. Therefore, approval evidence was missing.
- Checks did not have two signatures.
- Disbursements were not always adequately supported by invoices and receiving evidence.
- Pre-numbered receipts were not always issued.

Horner Elementary

- Bank reconciliation did not have evidence of supervisor's review and bank deposits were not always made timely to the bank.
- 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.
- Disbursements were not always adequately supported by invoices and receiving evidence.
- 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.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Robertson School

- Bank reconciliation did not have evidence of supervisor's review.
- Revenue potential forms were not always prepared for major fundraisers.
- Insufficient segregation of duties as the ASB book-keeper approved cash disbursements.
- Same receipt book was used for both the ASB and site cash collection.
- Receipts were not always issued timely. Two of the receipts dated after the deposits were made to the bank a few days before.

Parkmont Elementary

- Disbursements were not always adequately supported by receiving evidence.
- Cash disbursements did not have two signatures and the secretary was the one signing on the checks.

The followings were noted during prior year site visits:

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.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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 preformed to detect the type of errors resulting from these conditions

Status

Not implemented, see current year finding.

2009-2 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

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

- Gomes Elementary did not reconcile the revolving account correctly.
- Centerville Junior High School issued pre-numbered receipts when they made deposits to the bank but not when cash collections were turned in.
- Elementary had some outstanding checks that are more than one year old.
- Grimmer Elementary 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.

In current 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.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

Status

Not implemented, see current year finding.

2009-3 VACATION ACCRUAL (60000)

Criteria or Specific Requirements

According to the District's board policy, an employee may accumulate vacation time up to 35 days for management personnel and 33 days for classified employees. The District shall advise the employees quarterly of their accumulated vacation balances. It is the employees' responsibility to seek approval to use accumulated vacation leave. Any vacation balance in excess of the allowable limits shall be lost effective with the beginning of the new fiscal year (July 1st).

Condition

In our review of the compensated absences policy in the prior and current years, we noted that some employees' accrual vacation balances exceeded the maximum allowable vacation carryover as illustrated above.

Questioned Costs

There are no questioned costs associated with this condition.

Context

The District has started to carry out the board policy to different groups of employees with different time frame starting with top management. The goal is to have the policy fully enforced by June 30, 2011. Other groups of employees still have excess accrual vacation balances exceeding the maximum limit mentioned above.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Not in compliance with the District's policy and excessive liability in compensated absences.

Recommendation

In order to safeguard the District's interest and to limit its potential liability, the District needs to enforce its policy and have a designated employee to keep track of vacation hours.

Status

Implemented.

2009-4 POSITION CONTROL (60000)

Criteria or Specific Requirements

It is the responsibility of the District to ensure that its position control system is functioning effectively and update-to-date, and its procedures are sufficient to prevent and detect errors.

Condition

Significant deficiency – In our examination of the District's position control system, we noted that it was not linked automatically to the payroll and personnel modules and thus it was not updated automatically. As a result, reconciliation with the payroll and personnel database was required. However, the position control reconciliation was not performed consistently during the year.

Questioned Costs

There are no questioned costs associated with this condition.

Context

Our review of the position control system revealed the above issues.

Effect

Without an automatic system, position control information may not be updated and potential human errors are likely to occur which would result in incorrect budgeting.

Cause

The District used a manual system in the absence of performing sufficient procedures and reconciliation between departments and modules on a regular base.

Recommendation

Position control plays a very important role in the budgeting process and has significant impact on the District's operation. We recommend that the District evaluate its current practice and procedures and consider switching to a system that automatically links the payroll and personnel modules.

Status

Implemented.

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

2009-4 Time Certifications (50000)

Criteria or Specific Requirements

OMB Circular A-87 stipulates how charges for salaries and benefits should be documented. It is the District's responsibility to ensure that salaries and wages charge to Federal programs are supported by semi-annual certifications for personnel 100% funded by federal programs and by personnel activity reports performed monthly for employees whose activities are partially funded by federal programs. The time certifications should be completed and signed off properly and timely.

Condition

Significant Deficiency, Instance of Non Compliance – Four out of seven federally-funded employees selected for verification for Title II did not have time certifications.

For Special Education, seven out of twenty-seven federally funded employees tested did not complete time certification timely. During our review, all the time certifications were completed in May for the beginning of the school year through April.

Questioned Costs

There are no questioned costs associated with the above condition for Special Education. As for Title II, the questioned costs for those four employees were \$179,807.

Context

During our testing of the following Federal program, we noted the above cases
Special Education – CFDA #84.027
Title II – CFDA #84.367

Effect

Improper and insufficient documentation of time accounting requirements could ultimately cause some federal expenditure reimbursements to be disallowed.

Cause

Lack of thorough understanding the OMB A-87 documentation requirements.

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

Partially implemented, see current year finding.