Fresno Unified School District

Preparing Career Ready Graduates

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By

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Michael E. Hanson

December 30, 2008

To Whom It May Concern:

Enclosed is a copy of the Fresno Unified School District Annual Financial Report for June 30, 2008, as prepared by our external auditors, Perry-Smith, LLP. This was approved by our Board of Education at their December 10, 2008 meeting.

A copy of this report will be available on our website at the following link:
http://www.fresno.k12.ca.us/adminsvs/fiscal/audit.html

If you have any questions, please call me at (559) 457-3907.

Sincerely,

Jacquie Canfield

Jacquie Canfield, Administrator
Fiscal Services

/apc

Enclosure

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
Year Ended June 30, 2008

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2007-6 (Continued) The District should perform a review of the continuation forms, to ensure all of the required elements are included in form and content, before preparing Period Two and Annual Reports of Attendance. In addition, the District should revise the Period Two Report of Attendance, reflecting the removal of the disallowed ADA.		

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
Year Ended June 30, 2008

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2007-5 • At Hoover High School, two students were improperly included for a total misstatement of 2 days. • At Bullard High School, two students were improperly included for a total misstatement of 2 days. • At Centennial Elementary School, five students were improperly included for a total misstatement of 7 days. • At Bullard Talent K-8 School, two students were improperly included for a total misstatement of 2 days. • At Malloch Elementary School, three students were improperly included for a total misstatement of 3 days. • At Thomas Elementary School, two students were improperly included for a total misstatement of 2 days. • At Forkner Elementary School, one students were improperly included for a total misstatement of 1 day. • At Norseman Elementary School, two students were improperly included for a total misstatement of 3 days. The District should revise the Period Two Report of Attendance removing the disallowed attendance.	Not implemented.	See current year finding #3.
2007-6 • The Parental Agreement form required by the California Department of Education was not properly completed for one student retained at Birney Elementary School. • The Parental Agreement form required by the California Department of Education was not properly completed for two students retained at Pyle Elementary School. • The Parental Agreement form required by the California Department of Education was not properly completed for two students retained at Wishon Elementary School.	Not implemented.	See current year finding #4.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
Year Ended June 30, 2008

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2007-2 (Continued) • Expenditures should be approved by the appropriate individuals for Elementary, Middle and High Schools. • Student store inventory should be counted or reviewed twice a year. • Profit and loss statements should be prepared monthly for the student store activity.		
2007-3 • The Cash in County Treasury and revolving cash reconciliations for all funds are not being prepared and reviewed timely. • There were no signatures or initials indicating preparation or review. We recommend the following: • The Cash in County Treasury reconciliation should be performed and reviewed on a monthly basis. • Revolving and cash account reconciliations should be signed/initialed by the preparer and reviewer.	Implemented.	
2007-4 The Fresno Unified School District Receipt form that accompanies all cash that is sent with a deposit from Adult Education or Facilities is not being marked with a signature or initials indicating cash was counted in dual custody. Cash and checks sent to the District Office should be counted in dual custody at the location of origin.	Implemented.	

FRESNO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2008

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2007-1 The District does not maintain adequate accounting records for the COPS Debt Service Fund. We recommend the District track all activity for the Financing Corporation and report it in the Unaudited Actual Financial Report.	Implemented.	
2007-2 At various school sites tested, we noted the following: • Cash is not being counted in dual custody every time cash is received. • Cash receipts are not supported by detailed cash collection forms. • Several expenditures tested were not approved or signed by 3 persons. • Outstanding checks that were more than six months old were not reviewed and written off. • Fundraising approval forms are not consistently being used to approve revenue-producing activities. • The student store is not counted or reviewed periodically. • Cash register tapes from the student store are not reconciled to the bank deposits. We recommend the following: • Receipt books or other supporting documentation should be used to record initial receipt of cash. • Proper supporting documentation should accompany funds submitted for deposit. • Cash should be counted in dual custody and be supported by a detailed cash reconciliation form. • Cash receipts should be reconciled to the deposits and approved by school site administrators. • Student council and school site administration should approve all fundraising events.	Not implemented.	See current year finding #1.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

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

4. STATE COMPLIANCE - KINDERGARTEN CONTINUATION (10000)

Criteria

California Department of Education Code section 46300 (g) requires kindergarten students who have been retained in kindergarten to have a signed agreement approved in form and content by the State Department of Education

Condition

- The Parental Agreement form required by the California Department of Education was not properly completed for one student retained at Hidalgo Elementary School.
- The Parental Agreement form required by the California Department of Education was not properly completed for one student retained at Yokomi Elementary School.

Effect

Overstatement of ADA.

Cause

The Parental Agreement forms did not have the correct continuation date completed.

Fiscal Impact

The overstatement of ADA related to the disallowed retention forms is 1.90 ADA. Because the District is in declining enrollment and prior year ADA is used for the revenue limit calculation, there is no current year fiscal impact.

Recommendation

The District perform a review of the continuation forms, to ensure all of the required elements are included in form and content, before preparing the Second Period and Annual Reports of Attendance. In addition, the District should revise the Second Period Report of Attendance, reflecting the removal of the disallowed ADA.

Corrective Action Plan

The District will revise the Second Period Report of Attendance for this adjustment.

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

3. STATE COMPLIANCE - REGULAR AND SPECIAL DAY CLASSES (10000) (Continued)

Condition

- At Hidalgo Elementary School one student was improperly included for a total misstatement of 1 day.
- At Jackson Elementary School one student was improperly included for a total misstatement of 1 day.
- At Lowell Elementary School two students were improperly included for a total misstatement of 2 days.
- At Rowell Elementary School two students were improperly included for a total misstatement of 2 days.
- At Webster Elementary School two students were improperly included for a total misstatement of 2 days.

Effect

The effect of this condition is an extrapolated overstatement of 8.46 ADA.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

Because the District is in declining enrollment and prior year ADA is used for the revenue limit calculation, there is no current year fiscal impact.

Recommendation

The District should revise the Second Period Report of Attendance removing the disallowed ADA.

Corrective Action Plan

The District has revised the Second Period Report of Attendance.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2. STATE COMPLIANCE - REGULAR AND SPECIAL DAY CLASSES (10000)

Criteria

California Department of Education Code sections 44253.3, 44253.4, or 44253.10 - Requires any teacher to be authorized to teach a class in which more than 20 percent of the pupils are English learners.

Condition

Three teachers who were assigned to instruct a class with more than 20 percent are Limited English Proficiency (LEP) learners did not have the proper certifications to instruct the class.

Effect

The District has not complied with certification requirements for the instruction of LEP students.

Cause

Three teachers did not have the proper credentials to instruct LEP students.

Fiscal Impact

Not applicable.

Recommendation

The District should perform a review of all classes to determine those with more than 20 percent LEP student enrolled and ensure the teacher has the appropriate certifications.

Corrective Action Plan

The District is committed in hiring highly qualified teachers for the students we serve. An EL Certification Action Plan has been implemented to ensure that all veteran teachers are EL certified. The action plan includes reviewing, developing and monitoring individuals to support earning their EL certification.

3. STATE COMPLIANCE - REGULAR AND SPECIAL DAY CLASSES (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2008

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

1. INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000) (Continued)

Recommendation (Continued)

- Expenditures should be approved by the appropriate individuals for Elementary, Middle and High Schools.
- Student store inventory should be counted or reviewed regularly.
- Profit and loss statements should be prepared monthly for the student store activity.
- Monthly and annual financial statements should be reviewed to ensure all elements are appropriately included and accurately prepared.

Corrective Action Plan

The District provides training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the auditors' recommendations, some at a greater level than what has been suggested. The District will provided additional training focused on preparing required documentation for compliance and continue to monitor timeliness of submission of reports.

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At various school sites tested, we noted the following:

- Cash receipts are not supported by detailed cash collection forms.
- Several expenditures tested were not approved or signed by 3 authorized individuals.
- Fundraising approval forms are not consistently being used to approve revenue-producing activities.
- Student store inventory is not counted or reviewed periodically.
- Cash register tapes from the student store are not reconciled to the bank deposits.
- School sites do not consistently prepare profit and loss statements for the student store.
- Financial reconciliations are not being consistently reviewed to ensure account sub-ledgers reconcile to the summary forwarded to the District Office.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Proper supporting documentation should accompany funds submitted for deposit.
- Cash receipts should be reconciled to the deposits and approved by school site administrators.
- Student council and school site administration should approve all fundraising events.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	X No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	X None reported	
Noncompliance material to financial statements noted?	_____ Yes	X No	

FEDERAL AWARDS

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	X No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	X None reported	
Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	X No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I Cluster
84.027, 84.173, 84.173A	Special Education Cluster
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants
84.165	Magnet Schools Assistance
84.357A	NCLB: Title I, Part B, Reading First Program
10.555	Child Nutrition: School Programs (NSL Sec. 11)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 3,000,000		
Auditee qualified as low-risk auditee?	_____ Yes	X No	

STATE AWARDS

Internal control over state programs:			
Material weakness(es) identified?	_____ Yes	X No	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	X None reported	
Type of auditor's report issued on compliance for state programs:	Qualified		

FINDINGS AND RECOMMENDATIONS

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information of the Audit Committee, the Board of Education, management, the California Department of Education, the California State Controller's Office and 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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 1, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Audit Committee
Fresno Unified School District
Fresno, California

Compliance

We have audited the compliance of Fresno 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 are applicable to each of its major federal programs for the year ended June 30, 2008. Fresno Unified School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno 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 Fresno 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 on Fresno Unified School District's compliance with those requirements.

In our opinion, Fresno Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fresno Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Fresno Unified School District's internal control over compliance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresno Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Audit Committee, the Board of Education, management, the California Department of Education, the California State Controller's Office and 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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 1, 2008

INDEPENDENT AUDITOR'S 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*

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the financial statements of Fresno Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. 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 Fresno Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fresno Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Fresno Unified School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Program: Before School because the District did not offer a Before School program in the current year.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study or Determination of Funding for Nonclassroom-Based Instruction, for charter schools because the District's charter school has no Nonclassroom-Based/Independent Study students.

In our opinion, Fresno Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2008, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Fresno Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information of the Audit Committee, the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry - Smith LLP

Sacramento, California
December 1, 2008

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS
(Continued)

Description	Audit Guide Procedures	Procedures Performed
Notification of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	No, see below
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes

We did not perform any procedures related to Regional Occupational Center/Programs because the District does not offer this program.

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Community Day School ADA because the ADA reported was below the level required for testing.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

We did not perform any procedures related to School Construction Funds - School District Bonds because the District only had expenditures from Proposition 39 Bonds in the current year.

The 2007-2008 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2008. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2007-2008 Audit Guide relating to the comparison of tested data from the 2007-2008 fiscal year to the 2007-2008 School Accountability Report Cards.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2008. Compliance with the requirements of state laws and regulations is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno 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 the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Fresno 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 Fresno Unified School District's compliance with those requirements.

Description	Audit Guide Procedures	Procedures Performed
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Center and Programs	6	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
Morgan Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	No, see below
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2008, the District did not adopt such a program.

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total long-term liabilities as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2008-2009 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

G - Schedule of Excess Sick Leave

This schedule provides information to the California State Teachers' Retirement System to monitor the granting of excess sick leave by school districts.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

For the Year Ended June 30, 2008

Contract or Bargaining Agreement	Title of Employee

There are no contracts which allow for excess sick leave.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2008

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Fresno Prep Academy	Separate Report
KIPP Academy	Separate Report
New Millennium Institute of Education	Separate Report
School of Unlimited Learning	Separate Report
Carter G. Woodson Public Charter	Separate Report
Valley Preparatory Academy	Separate Report
Valley Arts and Science Academy	Separate Report
University High School	Separate Report
Sierra Charter School	Separate Report
Sunset Charter School	Included in District financial statements, in the General Fund

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2008

	(Budgeted) 2009	2008	2007	2006
General Fund				
Revenues and other financing sources	$669,715,619	$698,926,461	$702,232,852	$629,170,057
Expenditures	704,237,643	703,348,410	645,449,735	606,201,354
Other uses and transfers out	3,356,409	3,452,063	6,650,767	2,943,879
Total outgo	707,594,052	706,800,473	652,100,502	609,145,233
Change in fund balance	$ (37,878,433)	$ (7,874,012)	$ 50,132,350	$ 20,024,824
Ending fund balance	$ 47,082,432	$ 84,960,865	$ 92,834,877	$ 42,702,527
Available reserves	$ 40,141,412	$ 41,074,374	$ 33,487,840	$ 26,182,074
Designated for economic uncertainties	$ 40,141,412	$ 41,074,374	$ 33,487,840	$ 26,182,074
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as percentages of total outgo	5.67%	5.81%	5.14%	4.30%
All Funds				
Total long-term liabilities	$330,504,397	$351,427,278	$330,935,593	$309,716,648
Average daily attendance at P-2, (excludes classes for adults and charter schools)	67,286	67,887	69,976	71,422

The General Fund fund balance has increased by $62,283,162 over the past three years. The fiscal year 2008-09 budget projects a decrease of $37,878,433. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2008, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, but anticipates an operating deficit in fiscal year 2009.

Total long-term liabilities have increased by $41,710,630 over the past two years, primarily due to the implementation of GASB 45.

Average daily attendance, excluding classes for adults and charter schools, has decreased by 3,535 over the past two years. A decrease of 601 ADA is projected for the 2008-2009 fiscal year.

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

	Cafeteria Fund
June 30, 2008 Unaudited Actual Financial Report Ending Fund Balance	$ 18,494,293
Understatement of capital assets	2,755,687
June 30, 2008 Audited Financial Statements Ending Fund Balance	$ 21,249,980

There were no adjustments proposed to any other funds of the District.

See accompanying notes to
supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2008

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Health and Human Services			
	Child Development Cluster:		
93.575	Child Development: Quality Improvement	13979	$ 62,378
93.575	Child Development: School-Age Child Care Resource Contracts	13941	2,167
93.575	Child Development: Infant/Toddler Child Care Resource Contracts	13942	7,047
	Subtotal Child Development Cluster		71,592
93.778	Department of Health Services: Medi-Cal Billings	10013	450,166
93.556	Promoting Safe and Stable Families	-	248,777
	Total U.S. Department of Health and Human Services		770,535
U.S. Department of Agriculture			
	Child Nutrition Cluster:		
10.558	Child Nutrition: CCFP Claims, Centers and Family Day Care Homes	13529	69,846
10.561	Nutrition Network Grant	-	67,993
10.555	Child Nutrition: School Programs (NSL Sec. 11)	13396	27,838,343
	Total Child Nutrition Cluster and U.S. Department of Agriculture		27,976,182
U.S. Department of Labor			
17.259	Workforce Investment Act (WIA), Youth Activities	03422	161,492
National Science Foundation			
47.076	Education and Human Resources	-	9,378
	Total Federal Programs		$ 122,751,770

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2008

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education (Continued)			
	NCLB: Title II Cluster:		
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	$ 422,110
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	275,188
	Subtotal Title II Cluster		697,298
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	95,874
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	2,303,298
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	8,324,314
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CAMSP)	14512	698,931
84.351D	Arts in Education	-	302,420
84.357A	NCLB: Title I, Part B, Reading First Program	14328	3,999,501
84.298A	NCLB: Title V, Part A, Innovative Education Strategies Formula Entitlements	14354	217,333
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	128,804
84.165	Magnet School Assistance	-	1,640,273
84.060A	Indian Education	10011	118,303
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	13174	2,656,992
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	908,237
84.215L	Smaller Learning Communities	-	470,262
84.215S	Partnership in Education	-	516,177
84.048	Vocational Programs: Voc. and Applied Technology State Leadership, Sec. 124 (Carl Perkins Act)	13920	1,182,714
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	13923	1,040,425
	Total U.S. Department of Education		93,834,183

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2008

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education			
	Adult Education Cluster:		
84.002	Adult Education: ESL/ESL-Citizenship	13973	$ 362,822
84.002	Adult Education: Family Literacy	13977	65,025
84.002	Adult Education: Adult Secondary Education	13978	76,124
84.002A	Adult Education: English Literacy and Civics Education	14109	151,865
	Subtotal Adult Education Cluster		655,836
	NCLB: Title I Cluster:		
84.010	NCLB: Title I Basic Grants, Low Income & Neglected, Part A	13797	51,832,623
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	166,366
84.010	NCLB: Title I, Part A, Program Improvement District Intervention	14581	75,000
84.010	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	14579	340,664
	Subtotal NCLB: Title I Cluster		52,414,653
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	13,450,539
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec. 619	13431	17,397
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619 Age (3-5)	13430	367,722
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	527,001
	Subtotal Special Education Cluster		14,362,659
	Safe and Drug Free Schools Cluster:		
84.186	NCLB: Title IV, Part A, Safe and Drug-Free Schools and Communities (Technical Assistance)	14347	609,364
84.184	Safe and Drug-Free Schools and Communities National Program	14348	490,515
	Subtotal Safe and Drug Free Schools Cluster		1,099,879

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2008

Grade Level	1986-87 Minutes Require-ment	1982-83 Actual Minutes	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
District:						
Kindergarten	36,000	31,680	36,000	180		In Compliance
Grade 1	50,400	43,095	50,400	180		In Compliance
Grade 2	50,400	43,095	50,400	180		In Compliance
Grade 3	50,400	43,095	50,400	180		In Compliance
Grade 4	54,000	54,000	55,100	180		In Compliance
Grade 5	54,000	54,000	55,476	180		In Compliance
Grade 6	54,000	54,000	55,476	180		In Compliance
Grade 7	54,000	54,000	55,590	180		In Compliance
Grade 8	54,000	54,000	55,590	180		In Compliance
Grade 9	64,800	54,560	64,800	180		In Compliance
Grade 10	64,800	54,560	64,800	180		In Compliance
Grade 11	64,800	54,560	64,800	180		In Compliance
Grade 12	64,800	54,560	64,800	180		In Compliance
Sunset Charter School:						
Kindergarten	36,000	N/A	42,970	180	N/A	In Compliance
Grade 1	50,400	N/A	51,174	180	N/A	In Compliance
Grade 2	50,400	N/A	51,174	180	N/A	In Compliance
Grade 3	50,400	N/A	51,174	180	N/A	In Compliance
Grade 4	54,000	N/A	54,719	180	N/A	In Compliance
Grade 5	54,000	N/A	54,719	180	N/A	In Compliance
Grade 6	54,000	N/A	54,719	180	N/A	In Compliance

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2008

	Second Period Report	Annual Report
Elementary:		
Kindergarten	5,312	5,340
First through Third	16,325	16,324
Fourth through Eighth	25,860	25,751
Special Education	1,424	1,450
Community Day School	35	47
Home and Hospital	4	3
Subtotal Elementary	48,960	48,915
Secondary:		
Regular Classes	17,520	17,263
Special Education	783	788
Compulsory Continuation Education	611	580
Home and Hospital	6	4
Non Public Schools	7	4
Subtotal Secondary	18,927	18,639
Charter Schools	2,998	3,005
District subtotal before Adult	70,885	70,559
Adult Education:		
Independent Study	133	141
Concurrent Classes	337	453
Non-current Classes	3,489	4,063
Subtotal Adult	3,959	4,657
District Totals	74,844	75,216
	Hours of Attendance	
Summer School:		
Elementary	401,063	405,430
Secondary	857,550	925,787
	1,258,613	1,331,217

See accompanying notes to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2008

Fresno Unified School District, a political subdivision of the State of California, was established on July 1, 1948. The District serves grades kindergarten through twelve and operates sixty-three elementary, eighteen middle, eight comprehensive high schools, five alternative high schools, one independent study center, and one community day school. All of the District's schools are located in Fresno County. The District is comprised of approximately 99 square miles. There were no changes to the District's boundaries during the current year.

The Board of Education at June 30, 2008 was comprised of the following members:

Name	Office	Term Expires
Tony Vang, Ed. D.	President	2010
Valerie F. Davis	Clerk	2010
Michelle A. Asadoorian	Member	2010
Cal Johnson	Member	2010
Carol Mills, J.D.	Member	2008
Manuel G. Nuñez	Member	2008
Janet Ryan	Member	2008

The Superintendent's Executive Staff at June 30, 2008 was comprised of the following:

Michael E. Hanson
Superintendent

Ruth F. Quinto, CPA
Associate Superintendent, Administrative Services / Chief Financial Officer

Cynthia D. Tucker
Associate Superintendent, School Support Services

Deo Persaud
Associate Superintendent, Operational Services

John Marinovich
Assistant Superintendent, Instructional Support Services 9-12

Holland Locker
Assistant Superintendent / School Leadership K-6

Dr. Mabel Franks
Assistant Superintendent / School Leadership 7-8

Doug Jones
Assistant Superintendent, Special Education

Kim Kelstrom
Director, Fiscal Services

Linda Hauser
Associate Superintendent, School Leadership / Chief Academic Officer

Kim Mecum
Associate Superintendent, Human Resources / Labor Relations

Kurt Madden
Associate Superintendent / Chief Technology Officer

Elva Coronado
Assistant Superintendent / School Leadership K-6

Dr. Sue Smits
Assistant Superintendent / School Leadership K-6

Barbara Bengel
Assistant Superintendent, State and Federal Programs

Jacquie Canfield
Administrator, Fiscal Services

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
High Schools				
Assets:				
Cash on hand and in banks	$ 1,310,132	$ 3,737,784	$ 3,748,507	$ 1,299,409
Stores inventory	49,383	16,059	21,384	44,058
Total assets	$ 1,359,515	$ 3,753,843	$ 3,769,891	$ 1,343,467
Liabilities:				
Due to student groups	$ 1,359,515	$ 3,753,843	$ 3,769,891	$ 1,343,467
Total - All Agency Funds				
Assets:				
Cash on hand and in banks	$ 2,255,277	$ 7,251,360	$ 7,387,935	$ 2,118,702
Stores inventory	75,786	43,926	21,406	98,306
Total assets	$ 2,331,063	$ 7,295,286	$ 7,409,341	$ 2,217,008
Liabilities:				
Due to student groups	$ 2,331,063	$ 7,295,286	$ 7,409,341	$ 2,217,008

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

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Elementary Schools				
Assets:				
Cash on hand and in banks	$ 629,778	$ 2,513,508	$ 2,620,814	$ 522,472
Stores inventory				
Total assets	$ 629,778	$ 2,513,508	$ 2,620,814	$ 522,472
Liabilities:				
Due to student groups	$ 629,778	$ 2,513,508	$ 2,620,814	$ 522,472
Middle Schools				
Assets:				
Cash on hand and in banks	$ 304,459	$ 992,088	$ 1,011,765	$ 284,782
Stores inventory	26,403	27,867	22	54,248
Total assets	$ 330,862	$ 1,019,955	$ 1,011,787	$ 339,030
Liabilities:				
Due to student groups	$ 330,862	$ 1,019,955	$ 1,011,787	$ 339,030
Special Programs				
Assets:				
Cash on hand and in banks	$ 10,908	$ 7,980	$ 6,849	$ 12,039
Stores inventory				
Total assets	$ 10,908	$ 7,980	$ 6,849	$ 12,039
Liabilities:				
Due to student groups	$ 10,908	$ 7,980	$ 6,849	$ 12,039

(Continued)

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2008

	Adult Education Fund	Child Develop-ment Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
Revenues:										
Federal sources	$ 1,696,262	$ 96,033								$ 1,792,295
Other state sources	12,479,935	6,786,387	$ 3,020,669		$ 13,516,329		$ 390,485	$ 148,442		36,342,247
Other local sources	1,532,555	131,304	214,400	$ 3,793,637		$ 213,861	22,517,350	9,379,424	$ 4,272	37,786,803
Total revenues	15,708,752	7,013,724	3,235,069	3,793,637	13,516,329	213,861	22,907,835	9,527,866	4,272	75,921,345
Expenditures:										
Certificated salaries	7,122,875	3,171,620								10,294,495
Classified salaries	1,705,329	1,320,808		4,013		171,116				3,201,266
Employee benefits	2,563,486	1,495,346		1,557		131,884				4,192,273
Books and supplies	1,401,135	397,663	484,088							2,282,886
Contract services and operating expenditures	1,892,324	312,634	10,580,290	1,929,693		22,566				14,737,507
Capital outlay				161,206		34,956				196,162
Debt service:										
Principal retirement		92,289					8,895,000		8,525,000	17,512,289
Interest							14,053,579	13,700	1,841,517	15,908,796
Total expenditures	14,685,149	6,790,360	11,064,378	2,096,469		360,522	22,948,579	13,700	10,366,517	68,325,674
Excess (deficiency) of revenues over (under) expenditures	1,023,603	223,364	(7,829,309)	1,697,168	13,516,329	(146,661)	(40,744)	9,514,166	(10,362,245)	7,595,671
Other financing sources (uses):										
Operating transfers in			3,252,063			40,453			10,362,245	13,654,761
Operating transfers out	(582,788)	(267,042)		(95,697)	(13,516,329)			(10,362,245)		(24,824,101)
Proceeds from sale of capital assets						775,232				775,232
Total other financing sources (uses)	(582,788)	(267,042)	3,252,063	(95,697)	(13,516,329)	815,685		(10,362,245)	10,362,245	(10,394,108)
Net change in fund balances	440,815	(43,678)	(4,577,246)	1,601,471		669,024	(40,744)	(848,079)		(2,798,437)
Fund balances, July 1, 2007	5,356,347	86,741	8,209,774	12,094,390		1,953,594	23,156,827	6,906,994	9,526,426	67,291,093
Fund balances, June 30, 2008	$ 5,797,162	$ 43,063	$ 3,632,528	$ 13,695,861	$ -	$ 2,622,618	$ 23,116,083	$ 6,058,915	$ 9,526,426	$ 64,492,656

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

FRESNO UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2008

	Adult Education Fund	Child Develop-ment Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	COP Debt Service Fund	Total
ASSETS										
Cash in County Treasury	$ 4,550,051	$ 551,363	$ 4,561,246	$ 13,648,235	$ 20,202,577	$ 3,557,362	$ 22,911,534	$ 5,999,801		$ 75,982,169
Cash on hand and in banks	6,281	8								6,289
Cash awaiting deposit				24,512						24,512
Cash with Fiscal Agent						23,858			$ 9,525,777	9,549,635
Accounts receivable	4,471,822	891,065	56,518	131,268	204,469	37,315	204,549	54,843	4,272	6,056,121
Due from other funds	93,399	6,339	41	6,142		295,894	8,485,244	7,633,550	7,629,927	24,150,536
Inventory	153,717									153,717
Prepaid expenditures	2,461									2,461
Total assets	$ 9,277,731	$ 1,448,775	$ 4,617,805	$ 13,810,157	$ 20,407,046	$ 3,914,429	$ 31,601,327	$ 13,688,194	$ 17,159,976	$ 115,925,440
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	$ 2,144,697	$ 106,400	$ 865,836	$ 12,571	$ 6,529,747	$ 1,264,859				$ 10,924,110
Due to other funds	1,335,872	758,345	119,441	101,725	13,877,299	26,952	$ 8,485,244	$ 7,629,279	$ 7,633,550	39,967,707
Deferred revenue		540,967								540,967
Total liabilities	3,480,569	1,405,712	985,277	114,296	20,407,046	1,291,811	8,485,244	7,629,279	7,633,550	51,432,784
Fund balances	5,797,162	43,063	3,632,528	13,695,861		2,622,618	23,116,083	6,058,915	9,526,426	64,492,656
Total liabilities and fund balances	$ 9,277,731	$ 1,448,775	$ 4,617,805	$ 13,810,157	$ 20,407,046	$ 3,914,429	$ 31,601,327	$ 13,688,194	$ 17,159,976	$ 115,925,440

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

SUPPLEMENTARY INFORMATION

9. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Post-Retirement Healthcare Benefits (Continued)

In the July 1, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 4 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at 6/30/2008, was 29 years.

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Central Valley Support Services (CVSS), to provide support services to educational agencies in the Central Valley of California. CVSS is governed by a board consisting of one district representative selected by each member district's superintendent, one member of the operations staff of each member district and the Treasurer of CVSS. The CVSS Board controls controls the operations of CVSS, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of CVSS as of June 30, 2007 (the most recent information available):

Total assets	$ 24,615,099
Total liabilities	$ 23,628,025
Net assets	$ 987,074
Total revenues	$ 1,421,882
Total expenses	$ 1,704,026
Change in net assets	$ (282,144)

The relationship between Fresno Unified School District and the Joint Powers Authority is such that it is not a component unit of the District for financial reporting purposes.

11. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

9. POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

Post-Retirement Healthcare Benefits (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 was as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 66,913,974	43.8%	$ 37,569,446

As of July 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $758 million, and the actuarial value of assets was $29 million, resulting in an unfunded actuarial accrued liability (UAAL) of $729 million. The covered payroll (annual payroll of active employees covered by the Plan) was $437 million, and the ratio of the UAAL to the covered payroll was 173 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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.

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.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-2008 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2007 and 2008 were $24,577,956, $25,616,463 and $28,884,136, respectively, and equal 100% of the required contributions for each year.

9. POST-RETIREMENT EMPLOYEE BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits to all employees and their dependents who have served the District for 16 years. Health care benefits are provided to employees for life if their hire date was prior to July 1, 2005. All employees hired after July 1, 2005 will continue to receive health benefits after retirement if at least age 60 at retirement, and have served the District for 25 years. Benefits will be received up to the age of Medicare coverage.

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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 66,913,974
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost (expense)	66,913,974
Contributions made	29,344,528
Increase in net OPEB obligation	37,569,446
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 37,569,446

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions

California Public Employees' Retirement System (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 death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306% of annual 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, 2006, 2007 and 2008 were $7,209,720, $7,808,406 and $8,516,754, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95826.

6. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities (Continued)

Payments on the General Obligation Bonds are made from the Bond Interest Redemption Fund. Payments on the Certificates of Participation are made from the COP Debt Service Fund. Payments on the QZABs are made from the General Fund. Payments on the capitalized lease obligations are made from General and Child Development Funds. Payments on the compensated absences and post-retirement employee benefits are made from the fund for which the related employee worked.

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2008:

	Governmental Activities
Revolving cash fund	$ 100,464
Prepaid expenditures	1,349,147
Stores inventory	3,505,310
Unspent categorical program revenues	29,486,818
Special revenues	9,316,575
Capital projects	35,987,435
Self-insurance	64,520,304
Debt service	38,701,424
	$182,967,477

	Business-Type Activities
Stores inventory	$ 1,179,826
Prepaid expenditures and other current assets	10,000
Food service operations	16,623,262
	$ 17,813,088

8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

6. LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bonds

During 1999 and 2000, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology (CART) totaling $12,000,000 and $7,200,000, respectively. The bonds do not bear interest and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

Lease payments will be made by both districts for an equal share of the funds necessary to repay the principal of the bonds. The Fresno Unified School District's share of the principal amounts to $6,000,000 and $3,600,000 with annual required lease payments totaling $307,633 and $170,425, respectively. The lease payments are to be placed in a Guaranteed Investment Contract paying interest at 4.785% and 6.730%. Principal payments and earned interest are projected to be sufficient to retire the bonds' principal balance by October 1, 2012 and October 31, 2013.

The following is a schedule of the future payments for the QZAB Lease Revenue Bonds:

Year Ending June 30,	Annual Payments
2009	$ 760,219
2010	802,179
2011	846,521
2012	893,385
2013	942,921
2014	227,003
Total payments remaining	$ 4,472,228

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
General Obligation Bond	$ 273,793,742		$ 8,895,000	$ 264,898,742	$ 9,245,000
Accreted interest		$ 2,632,005		2,632,005	
Certificates of Participation	48,285,000		8,525,000	39,760,000	9,005,000
Capitalized lease obligations	676,304		401,820	274,484	92,289
QZABs	4,879,671		407,443	4,472,228	760,219
Post-retirement employee benefits (Note 9)		37,569,446		37,569,446	
Compensated absences	3,300,876		1,480,503	1,820,373	1,820,373
Totals	$ 330,935,593	$ 40,201,451	$ 19,709,766	$ 351,427,278	$ 20,922,881

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The annual payments required to amortize the 2003, Refunding Certificates of Participation outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,155,000	$ 154,906	$ 1,309,906
2010	1,180,000	124,587	1,304,587
2011	1,215,000	89,187	1,304,187
2012	1,420,000	49,700	1,469,700
	$ 4,970,000	$ 418,380	$ 5,388,380

Capitalized Lease Obligations

The District leases portables for child development centers on District campuses under long-term lease purchase agreements with a zero interest rate. A summary of future minimum lease payments is as follows:

Year Ending June 30,	Annual
2009	$ 92,289
2010	92,289
2011	44,953
2012	44,953
Net minimum lease payments	$ 274,484

Other Leases

All other leases of the District are treated as operating leases and are subject to annual appropriations and recorded as expenditures when paid.

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The annual payments required to amortize the 1997 Certificates of Participation outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,720,000	$ 322,790	$ 2,042,790
2010	1,815,000	238,810	2,053,810
2011	1,905,000	147,625	2,052,625
2012	2,000,000	50,000	2,050,000
	$ 7,440,000	$ 759,225	$ 8,199,225

The annual payments required to amortize the 1998, Series A, Refunding Certificates of Participation outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 5,185,000	$ 994,521	$ 6,179,521
2010	5,575,000	766,381	6,341,381
2011	5,975,000	515,506	6,490,506
2012	5,035,000	239,162	5,274,162
	$ 21,770,000	$ 2,515,570	$ 24,285,570

The annual payments required to amortize the 2001, Refunding Certificates of Participation outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 945,000	$ 238,175	$ 1,183,175
2010	1,000,000	200,375	1,200,375
2011	1,565,000	158,375	1,723,375
2012	2,070,000	91,080	2,161,080
	$ 5,580,000	$ 688,005	$ 6,268,005

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

Issue	Interest Rate %	Date of Issuance	Amount of Original Issuance	Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2008
1997 COPs	4.00 - 5.00%	1998	$ 20,840,000	$ 9,090,000		$ 1,650,000	$ 7,440,000
1998A Refunding COPs	4.00 - 4.75%	1998	51,930,000	26,615,000		4,845,000	21,770,000
2001 Refunding COPs	4.00 - 4.40%	2001	10,655,000	6,475,000		895,000	5,580,000
2003 Refunding COPs	2.00 - 3.50%	2003	10,380,000	6,105,000		1,135,000	4,970,000
			$ 93,805,000	$ 48,285,000	$ -	$ 8,525,000	$ 39,760,000

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2007, Refunding 1995 Series B, General Obligation Bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 305,000	$ 427,713	$ 732,713
2010	325,000	407,238	732,238
2011	345,000	385,463	730,463
2012	360,000	362,550	722,550
2013	370,000	342,525	712,525
2014-2018	2,125,000	1,466,100	3,591,100
2019-2023	2,635,000	989,569	3,624,569
2024-2028	3,285,000	366,111	3,651,111
	$ 9,750,000	$ 4,747,269	$ 14,497,269

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2005, Series 2001D, General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 775,000	$ 1,432,131	$ 2,207,131
2010	810,000	1,392,506	2,202,506
2011	845,000	1,351,131	2,196,131
2012	885,000	1,307,881	2,192,881
2013	925,000	1,262,631	2,187,631
2014-2018	5,290,000	5,560,030	10,850,030
2019-2023	6,605,000	4,078,905	10,683,905
2024-2028	8,255,000	2,328,956	10,583,956
2029-2031	5,875,000	392,766	6,267,766
	$ 30,265,000	$ 19,106,937	$ 49,371,937

The annual payments required to amortize the 2007, Series E, General Obligation Bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 855,000	$ 1,546,088	$ 2,401,088
2010	895,000	1,511,088	2,406,088
2011	940,000	1,474,388	2,414,388
2012	985,000	1,435,888	2,420,888
2013	1,030,000	1,395,587	2,425,587
2014-2018	5,920,000	6,304,335	12,224,335
2019-2023	7,445,000	4,920,057	12,365,057
2024-2028	9,370,000	2,899,500	12,269,500
2029-2031	6,740,000	515,750	7,255,750
	$ 34,180,000	$ 22,002,681	$ 56,182,681

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004, Series A, General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,760,000	$ 2,425,978	$ 4,185,978
2010	1,830,000	2,363,298	4,193,298
2011	1,920,000	2,293,483	4,213,483
2012	2,000,000	2,218,475	4,218,475
2013	2,095,000	2,137,183	4,232,183
2014-2018	12,115,000	9,217,656	21,332,656
2019-2023	15,595,000	5,919,380	21,514,380
2024-2028	13,470,000	1,622,249	15,092,249
	$ 50,785,000	$ 28,197,702	$ 78,982,702

The annual payments required to amortize the 2004 Refunding, Series 95B, Current Interest General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 530,000	$ 318,537	$ 848,537
2010	545,000	303,737	848,737
2011	565,000	287,087	852,087
2012	580,000	269,912	849,912
2013	605,000	249,112	854,112
2014-2018	3,430,000	853,660	4,283,660
2019-2021	2,395,000	152,386	2,547,386
	$ 8,650,000	$ 2,434,431	$ 11,084,431

6. **LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1999, Series C, General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,410,000	$ 1,793,780	$ 3,203,780
2010	1,500,000	1,714,133	3,214,133
2011	1,555,000	1,628,760	3,183,760
2012	1,635,000	1,538,550	3,173,550
2013	1,775,000	1,442,850	3,217,850
2014-2018	10,885,000	5,497,570	16,382,570
2019-2023	12,135,000	1,852,157	13,987,157
	$ 30,895,000	$ 15,467,800	$ 46,362,800

The annual payments required to amortize the 2002, Series A, General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,050,000	$ 3,410,422	$ 4,460,422
2010	1,120,000	3,364,475	4,484,475
2011	1,175,000	3,314,553	4,489,553
2012	2,595,000	3,260,212	5,855,212
2013	2,635,000	3,140,436	5,775,436
2014-2018	15,490,000	13,390,953	28,880,953
2019-2023	21,635,000	8,034,600	29,669,600
2024-2027	13,450,000	1,436,400	14,886,400
	$ 59,150,000	$ 39,352,051	$ 98,502,051

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,265,000	$ 1,457,223	$ 2,722,223
2010	1,350,000	1,379,643	2,729,643
2011	1,455,000	1,295,848	2,750,848
2012	1,545,000	1,205,328	2,750,328
2013	1,660,000	1,107,980	2,767,980
2014-2018	10,125,000	3,769,674	13,894,674
2019-2021	5,975,000	523,018	6,498,018
	$ 23,375,000	$ 10,738,714	$ 34,113,714

The annual payments required to amortize the 1998 Refunding, Series B, Current Interest General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 1,295,000	$ 956,820	$ 2,251,820
2010	1,390,000	870,897	2,260,897
2011	1,490,000	778,153	2,268,153
2012	1,600,000	677,671	2,277,671
2013	1,715,000	569,185	2,284,185
2014-2017	7,455,000	1,023,318	8,478,318
	$ 14,945,000	$ 4,876,044	$ 19,821,044

The annual payments required to amortize the 1998 Refunding, Series B, Capital Appreciation General Obligation Bonds outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2014-2018	$ 843,845	$ 2,191,155	$ 3,035,000
2019-2022	2,059,897	6,830,102	8,889,999
	$ 2,903,742	$ 9,021,257	$ 11,924,999

6. LONG-TERM LIABILITIES

General Obligation Bonds

Issue	Interest Rate %	Date of Issuance	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2008
1998 Series A	4.8 - 6.15%	1998	2021	$ 33,235,000	$ 24,565,000		$ 1,190,000	$ 23,375,000
1998 Refunding Series B Current Interest	5.5 - 6.95%	1998	2017	26,998,742	16,150,000		1,205,000	14,945,000
1999 Refunding Series B Capital Appreciation	5.5 - 6.95%	1998	2022		2,903,742			2,903,742
1999 Series C	4.5 - 5.125%	1999	2023	40,640,000	32,205,000		1,310,000	30,895,000
2002 Series A	2.25 - 6.0%	2002	2027	64,485,000	60,150,000		1,000,000	59,150,000
2004 Series A	1.70 - 5.25%	2004	2028	58,040,000	52,500,000		1,715,000	50,785,000
2004 Refunding 1995 Series B	2.0 - 4.25%	2004	2021	10,645,000	9,165,000		515,000	8,650,000
2001 Series D	4.125 - 5.0%	2005	2031	31,000,000	31,000,000		735,000	30,265,000
2001 Series E	4.0 - 5.0%	2007	2031	35,000,000	35,000,000		820,000	34,180,000
2007 Refunding 1995 Series B	4.0 - 6.25%	2007	2028	10,155,000	10,155,000		405,000	9,750,000
				$ 310,198,742	$ 273,793,742	$ -	$ 8,895,000	$ 264,898,742

5. SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for property and liability, workers' compensation, and employee health benefits. For the year ended June 30, 2008, the District was self-insured up to $2,000,000 for each workers' compensation claim and $250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured retention.

The property and liability claims liability of $1,580,204 is based on an actuarial estimate as of March 31, 2008, discounted at 3.0%. The workers' compensation claims liability of $35,790,105 is based on an actuarial estimate as of June 30, 2008, discounted at 3.0%. The health claims liability of $12,540,594 is based on claims lag data from the District's claim system. The liability for all programs include a component for unallocated loss adjustment expenses. Changes in the claims liability for the years ended June 30, 2007 and 2008 were as follows:

	Property and Liability	Workers' Compen-sation	Health	Total
Claims liability at July 1, 2006	$ 1,363,919	$ 34,694,683	$ 8,292,412	$ 44,351,014
Incurred claims	741,076	9,471,551	93,769,525	103,982,152
Paid claims	(1,210,931)	(6,615,991)	(93,486,464)	(101,313,386)
Claims liability at June 30, 2007	894,064	37,550,243	8,575,473	47,019,780
Incurred claims	1,647,842	2,966,800	107,519,212	112,133,854
Paid claims	(961,702)	(4,726,938)	(103,554,091)	(109,242,731)
Claims liability at June 30, 2008	$ 1,580,204	$ 35,790,105	$ 12,540,594	$ 49,910,903

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Transfers and Additions	Transfers and Deletions	Balance June 30, 2008
Governmental Activities				
Land	$ 46,552,426			$ 46,552,426
Work-in-process	58,342,875	$ 50,355,311	$ 72,029,214	36,668,972
Land improvements	27,568,393	6,692,612	22,538	34,238,467
Buildings	456,674,231	65,336,602	257,006	521,753,827
Equipment	24,078,597	2,833,654	5,404	26,906,847
Totals, at cost	613,216,522	125,218,179	72,314,162	666,120,539
Less accumulated depreciation:				
Land improvements	15,208,422	1,134,021	22,538	16,319,905
Buildings	169,017,914	11,052,338	257,006	179,813,246
Equipment	14,243,481	2,385,157	5,404	16,623,234
Total accumulated depreciation	198,469,817	14,571,516	284,948	212,756,385
Governmental activities capital assets, net	$ 414,746,705	$ 110,646,663	$ 72,029,214	$ 453,364,154
Business-Type Activities				
Equipment	$ 3,512,751	$ 3,109,347		$ 6,622,098
Less accumulated depreciation	2,797,130	388,076		3,185,206
Business-Type activities capital assets, net	$ 715,621	$ 2,721,271	$ -	$ 3,436,892

Depreciation expense was charged to governmental activities for the year ended June 30, 2008 as follows:

Governmental activities:	
Unallocated	$ 14,571,516
Business-type activities:	
Cafeteria Fund depreciation expense	$ 388,076

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2007-08 fiscal year were as follows:

Transfer from the State School Building Fund to the County School Facilities Fund for air conditioning projects.	$ 13,516,329
Transfer from the Tax Override Fund to the COPs Debt Service Fund for payments due.	10,362,245
Transfer from the Building Fund to the County School Facilities Fund for the match of Office of Public School Construction funds.	8,157,931
Transfer from the General Fund to the Deferred Maintenance Fund for the required state match.	3,252,063
Transfer from the Building Fund to the General Fund to contribute to restricted routine maintenance.	3,252,063
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,637,699
Transfer from the Adult Education Fund to the General Fund for indirect costs.	582,788
Transfer from the Child Development Fund to the General Fund for indirect costs.	267,042
Transfer from the General Fund to the Self Insurance Fund for reimbursement of copper wiring theft.	200,000
Transfer from the Capital Facilities Fund to the General Fund for indirect costs.	95,697
Transfer from the Building Fund to the Special Reserve for Capital Outlay Fund to close out issuance.	40,453
	$ 41,364,310

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the General Fund, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2008 were as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Activities		
Major Funds:		
General	$135,478,602	$124,764,245
Building	39,738,625	14,273,010
County School Facilities	13,905,304	30,541,307
Non-Major Funds:		
Adult Education	93,399	1,335,872
Child Development	6,339	758,345
Deferred Maintenance	41	119,441
Capital Facilities	6,142	101,725
State School Building		13,877,299
Special Reserve for Capital Outlay	295,894	26,952
Bond Interest and Redemption	8,485,244	8,485,244
Tax Override	7,633,550	7,629,279
COP Debt Service	7,629,927	7,633,550
Proprietary Fund:		
Self-Insurance	426,262	264,921
Business-Type Activities		
Cafeteria Fund	355,508	4,243,647
Totals	$214,054,837	$214,054,837

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Fresno County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2008, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to $100,000 by the Federal Depository Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) and are collateralized by the respective financial institution. At June 30, 2008, the carrying amount of the District's accounts was $14,256,791, and the bank balances were $12,634,494. Of the bank balances, $782,236 was covered by the FDIC or NCUA insurance and $11,852,258 was uninsured but collateralized.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2008, the District had no concentration of credit risk.

Investments

Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for repayment of General Obligation Bonds and other long-term liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Financial Accounting Pronouncements

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement of Governmental Accounting Standard No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* ("GASB No. 45"). GASB No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. GASB No. 45 generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. GASB No.45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. GASB No. 45 is effective in three phases based on a government's total annual revenues. The District implemented GASB No. 45 effective fiscal year June 30, 2008.

2. CASH AND INVESTMENTS

Cash at June 30, 2008 consisted of the following:

	Governmental Activities				
	Governmental Funds	Proprietary Fund	Total	Business-Type Activities	Fiduciary Activities
Pooled Funds:					
Cash in County Treasury	$ 145,748,574	$ 119,858,781	$ 265,607,355	$ 3,475,571	
Cash awaiting deposit	24,512		24,512	153	
Total pooled funds	145,773,086	119,858,781	265,631,867	3,475,724	
Deposits:					
Cash on hand and in banks	37,615	2,000,000	2,037,615	10,000,010	$ 2,118,702
Cash in revolving fund	100,464		100,464		
Total deposits	138,079	2,000,000	2,138,079	10,000,010	2,118,702
Cash with Fiscal Agent	9,549,635		9,549,635		
Total cash and cash equivalents	$ 155,460,800	$ 121,858,781	$ 277,319,581	$ 13,475,734	$ 2,118,702

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences benefits are recorded as a liability of the District. The liability of $1,820,373 is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

Deferred Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues and capital projects represent the portions of net assets restricted for special revenues and capital projects, respectively. The restriction for self-insurance represents the amount restricted to pay self-insured claims. The restriction for debt service represents the amount the District plans to expend in the ensuing fiscal year on debt service. The restriction for food service operations represents the portion of net assets restricted for food service operations.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Fresno bills and collects taxes for the District. Tax revenues are recognized by the District when received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented in the basic financial statements.

Stores Inventory

Stores inventory in the General, Adult Education and Cafeteria Funds consists mainly of consumable supplies and instructional materials held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

Cafeteria Food Purchases

The Cafeteria Fund statement of revenues, expenses and change in fund net assets reflects supplies expense of $15,813,655. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

Capital assets purchased or acquired, with an original cost of $15,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Proprietary Funds

1 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's property and liability claims, workers' compensation claims, and health benefits to current and retired employees, including medical, vision, dental and long-term sick leave.

2 - Cafeteria Fund:

The Cafeteria Fund is an enterprise fund which is used to account for the District's food services.

C - Fiduciary Fund Type

1 - Student Body Fund:

The Student Body Fund is a Fiduciary Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which, in aggregate, include seven fund types:

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, and Deferred Maintenance Funds.

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities by the District. This classification includes the Building, County School Facilities, Capital Facilities, State School Building and Special Reserve for Capital Outlay Funds.

4 - Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs. This classification includes the Bond Interest and Redemption, Tax Override and COP Debt Service Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2008, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the Financing Corporation Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Revenues, Expenditures and changes in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense and interest on general long-term liabilities are considered indirect expenses and are reported separately on the Statement of Activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the Fresno Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities.

In 1978 certain members of the District's Board of Education and District employees formed a nonprofit benefit corporation, known as Fresno Unified School District Financing Corporation ("Corporation"), which is organized under Nonprofit Benefit Corporation Law of the State of California. The purpose of the Corporation is to finance the acquisition and construction of school facilities. The Corporation issued Certificates of Participation (COPs), a form of long-term liabilities, which the District used to finance construction of school facilities.

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition of GASB Statement 14, "The Financial Reporting Entity", for inclusion of the Corporation as a component unit of the District. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental organization's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the depended unit should be reported as a part of the other.

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2008

ASSETS	
Cash on hand and in banks (Note 2)	$ 2,118,702
Stores inventory	98,306
Total assets	$ 2,217,008
LIABILITIES	
Due to student groups	$ 2,217,008

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

CAFETERIA FUND

For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from food sales	$ 1,765,847
Cash received from Child Nutrition Programs	31,295,631
Cash paid for operating expenses	(38,442,574)
Net cash used in operating activities	(5,381,096)
Cash flows provided by investing activities:	
Interest income received	703,954
Cash flows used in financing activities:	
Cash paid for capital assets	(3,109,347)
Decrease in cash and cash equivalents	(7,786,489)
Cash and cash equivalents, July 1, 2007	21,262,223
Cash and cash equivalents, June 30, 2008	$ 13,475,734
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (2,341,477)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	388,076
(Increase) decrease in:	
Accounts receivable	596,727
Amount due from other funds	103,437
Inventory	(285,004)
Other assets	63,548
Decrease in:	
Accounts payable	(832,867)
Amount due to other funds	(3,073,536)
Total adjustments	(3,039,619)
Net cash used in operating activities	$ (5,381,096)

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS - PROPRIETARY FUND

CAFETERIA FUND

For the Year Ended June 30, 2008

Operating revenues:	
Federal revenues	$ 27,976,182
Other state revenues	2,722,722
Other local revenues	1,765,847
Total operating revenues	32,464,751
Operating expenses:	
Classified salaries	9,631,158
Employee benefits	6,724,993
Books and supplies	15,813,655
Contract services	2,248,346
Depreciation	388,076
Total operating expenses	34,806,228
Operating loss	(2,341,477)
Non-operating revenue (expense):	
Interest income	703,954
Interfund transfer (Note 3)	(1,637,699)
Total non-operating revenue (expense)	(933,745)
Change in net assets	(3,275,222)
Total net assets, July 1, 2007	24,525,202
Total net assets, June 30, 2008	$ 21,249,980

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

CAFETERIA FUND

June 30, 2008

ASSETS	
Cash:	
Cash in County Treasury	$ 3,475,571
Cash on hand and in banks	10,000,010
Cash awaiting deposit	153
Accounts receivable	7,701,766
Due from other funds	355,508
Stores inventory	1,179,826
Prepaid expenditures	10,000
Capital assets	6,622,098
Less accumulated depreciation	(3,185,206)
Total assets	26,159,726
LIABILITIES	
Current liabilities:	
Accounts payable	666,099
Due to other funds	4,243,647
Total liabilities	4,909,746
NET ASSETS	
Invested in capital assets	3,436,892
Restricted	17,813,088
Total net assets	$ 21,249,980

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 127,754,642
Cash received from user charges	19,858,381
Cash paid for employee benefits	(113,502,868)
Cash paid for salaries	(1,506,662)
Cash paid for other expenses	(29,766)
Net cash provided by operating activities	32,573,727
Cash flows provided by financing activities:	
Transfer from other funds	200,000
Cash flows provided by investing activities:	
Interest income received	4,177,320
Increase in cash and cash equivalents	36,951,047
Cash and cash equivalents, July 1, 2007	84,907,734
Cash and cash equivalents, June 30, 2008	$ 121,858,781
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 22,729,046
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	4,097,816
Amount due from other funds	2,604,404
Prepaid expenditures	21,698
Increase (decrease) in:	
Accounts payable	3,313,069
Amount due to other funds	(3,083,429)
Unpaid claims and claim adjustment expenses	2,891,123
Total adjustments	9,844,681
Net cash provided by operating activities	$ 32,573,727

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2008

Operating revenues:	
Self-insurance premiums	$140,910,803
Operating expenses:	
Certificated salaries	102,612
Classified salaries	899,539
Employee benefits	504,511
Books and supplies	29,766
Contract services	116,645,329
Total operating expenses	118,181,757
Operating income	22,729,046
Non-operating revenue:	
Interest income	4,177,320
Interfund transfers	200,000
Total non-operating revenue	4,377,320
Change in net assets	27,106,366
Total net assets, July 1, 2007	38,099,432
Total net assets, June 30, 2008	$ 65,205,798

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

June 30, 2008

ASSETS	
Cash and investments:	
Cash in County Treasury	$119,858,781
Cash on hand and in banks	2,000,000
Accounts receivable	1,045,743
Due from other funds	426,262
Prepaid expenditures	685,494
Total assets	124,016,280
LIABILITIES	
Current liabilities:	
Accounts payable	8,634,658
Due to other funds	264,921
Total current liabilities	8,899,579
Self insurance claims liability	49,910,903
Total liabilities	58,810,482
NET ASSETS	
Restricted	$ 65,205,798

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2008

	Budget			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Revenue limit sources:				
State apportionment	$ 366,881,401	$ 368,114,629	$ 361,013,957	$ (7,100,672)
Local sources	38,523,731	38,523,731	46,017,557	7,493,826
Total revenue limit	405,405,132	406,638,360	407,031,514	393,154
Federal sources	94,859,639	101,892,033	92,983,293	(8,908,740)
Other state sources	165,558,307	175,159,897	170,062,927	(5,096,970)
Other local sources	15,420,030	19,507,846	23,013,438	3,505,592
Total revenues	681,243,108	703,198,136	693,091,172	(10,106,964)
Expenditures:				
Certificated salaries	338,646,454	349,983,083	345,049,588	4,933,495
Classified salaries	95,568,134	94,082,694	93,956,486	126,208
Employee benefits	160,355,096	160,482,994	159,461,466	1,021,528
Books and supplies	72,521,447	79,446,523	45,266,701	34,179,822
Contract services and operating expenditures	51,545,525	56,751,248	52,859,383	3,891,865
Capital outlay	7,519,200	15,984,284	3,804,465	12,179,819
Other outgo	2,738,824	2,604,419	2,224,766	379,653
Debt service:				
Principal retirement	716,974	806,782	716,974	89,808
Interest	8,581	13,000	8,581	4,419
Total expenditures	729,620,235	760,155,027	703,348,410	56,806,617
Deficiency of revenues under expenditures	(48,377,127)	(56,956,891)	(10,257,238)	46,699,653
Other financing sources (uses):				
Operating transfers in	5,439,753	5,820,020	5,835,289	15,269
Operating transfers out	(3,252,063)	(3,252,063)	(3,452,063)	(200,000)
Total other financing sources (uses)	2,187,690	2,567,957	2,383,226	(184,731)
Net change in fund balance	(46,189,437)	(54,388,934)	(7,874,012)	46,514,922
Fund balance, July 1, 2007	92,834,877	92,834,877	92,834,877	
Fund balance, June 30, 2008	$ 46,645,440	$ 38,445,943	$ 84,960,865	$ 46,514,922

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

FRESNO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - Total Governmental Funds		$ (40,388,675)
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 6).	$ 18,229,263	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	53,188,965	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(14,571,516)	
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(2,632,005)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(6,884,268)	
Activities of the internal service fund are reported with governmental activities.	27,106,366	
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.	(28,704)	
In governmental funds, other post-retirement employee benefits are recognized when employers contributions are made. In the government-wide statements, other post-retirement employee benefits are recognized on the accrual basis.	(37,569,446)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	1,480,503	38,319,158
Change in net assets of governmental activities		$ (2,069,517)

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	$ 361,013,957				$ 361,013,957
Local sources	46,017,557				46,017,557
Total revenue limit	407,031,514				407,031,514
Federal sources	92,983,293			$ 1,792,295	94,775,588
Other state sources	170,062,927			36,342,247	206,405,174
Other local sources	23,013,438	$ 1,534,297	$ 509,465	37,786,803	62,844,003
Total revenues	693,091,172	1,534,297	509,465	75,921,345	771,056,279
Expenditures:					
Certificated salaries	345,049,588			10,294,495	355,344,083
Classified salaries	93,956,486		208,860	3,201,266	97,366,612
Employee benefits	159,461,466		46,273	4,192,273	163,700,012
Books and supplies	45,266,701		74,453	2,282,886	47,624,040
Contract services and operating expenditures	52,859,383	40,975	16,043,943	14,737,507	83,681,808
Capital outlay	3,804,465		25,569,297	196,162	29,569,924
Other outgo	2,224,766				2,224,766
Debt service:					
Principal retirement	716,974			17,512,289	18,229,263
Interest	8,581			15,908,796	15,917,377
Total expenditures	703,348,410	40,975	41,942,826	68,325,674	813,657,885
(Deficiency) excess of revenues (under) over expenditures	(10,257,238)	1,493,322	(41,433,361)	7,595,671	(42,601,606)
Other financing sources (uses):					
Operating transfers in	5,835,289		21,674,260	13,654,761	41,164,310
Operating transfers out	(3,452,063)	(11,450,447)		(24,824,101)	(39,726,611)
Proceeds from sale of capital assets				775,232	775,232
Total other financing sources (uses)	2,383,226	(11,450,447)	21,674,260	(10,394,108)	2,212,931
Net change in fund balances	(7,874,012)	(9,957,125)	(19,759,101)	(2,798,437)	(40,388,675)
Fund balances, July 1, 2007	92,834,877	45,942,484	3,442,698	67,291,093	209,511,152
Fund balances, June 30, 2008	$ 84,960,865	$ 35,985,359	$ (16,316,403)	$ 64,492,656	$ 169,122,477

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

FRESNO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances - Governmental Funds		$ 169,122,477
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $666,120,539 and the accumulated depreciation is $212,756,385 (Note 4).		453,364,154
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2008 consisted of (Note 6):		
General Obligation Bonds	$ (264,898,742)	
Accreted interest	(2,632,005)	
Certificates of Participation	(39,760,000)	
Capitalized lease obligations	(274,484)	
Qualified Zone Academy Bonds	(4,472,228)	
Post-retirement employee benefits	(37,569,446)	
Compensated absences	(1,820,373)	
		(351,427,278)
Internal service funds are included in the government-wide financial statements.		65,205,798
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.		545,381
Unmatured interest on long-term liabilities is recognized in the period incurred.		(15,474,214)
Total net assets - governmental activities		$ 321,336,318

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

FRESNO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 57,193,974	$ 10,241,581	$ 2,330,850	$ 75,982,169	$ 145,748,574
Cash in revolving fund	100,464				100,464
Cash on hand and in banks	31,326			6,289	37,615
Cash awaiting deposit				24,512	24,512
Cash with Fiscal Agent				9,549,635	9,549,635
Accounts receivable	78,379,425	281,389	15,961	6,056,121	84,732,896
Prepaid expenditures	115,811			2,461	118,272
Due from other funds	135,478,602	39,738,625	13,905,304	24,150,536	213,273,067
Stores inventory	3,351,593			153,717	3,505,310
Total assets	$ 274,651,195	$ 50,261,595	$ 16,252,115	$ 115,925,440	$ 457,090,345
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 61,405,411	$ 3,226	$ 2,027,211	$ 10,924,110	$ 74,359,958
Deferred revenue	3,520,674			540,967	4,061,641
Due to other funds	124,764,245	14,273,010	30,541,307	39,967,707	209,546,269
Total liabilities	189,690,330	14,276,236	32,568,518	51,432,784	287,967,868
Fund balances	84,960,865	35,985,359	(16,316,403)	64,492,656	169,122,477
Total liabilities and fund balances	$ 274,651,195	$ 50,261,595	$ 16,252,115	$ 115,925,440	$ 457,090,345

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	$ 448,398,580	$ 1,873,202	$ 137,291,713	$ 13,516,329	$ (295,717,336)		$ (295,717,336)
Instruction-related services:							
Supervision of instruction	61,347,052	336,687	60,152,233		(858,132)		(858,132)
Instructional library, media and technology	11,337,665	83	1,301,481		(10,036,101)		(10,036,101)
School site administration	41,160,943	161,649	5,230,899		(35,768,395)		(35,768,395)
Pupil services:							
Home-to-school transportation	14,952,969	1,147,043	6,225,080		(7,580,846)		(7,580,846)
Food services	632,500		9,610		(622,890)		(622,890)
All other pupil services	37,132,281	385,129	19,566,025		(17,181,127)		(17,181,127)
General administration:							
Data processing	5,885,271				(5,885,271)		(5,885,271)
All other general administration	18,789,906	108,776	9,106,647		(9,574,483)		(9,574,483)
Plant services	79,169,902	55,121	8,712,562		(70,402,219)		(70,402,219)
Ancillary services	6,327,246	4,760	2,553,165		(3,769,321)		(3,769,321)
Community services	3,659,318	43,081	2,696,434		(919,803)		(919,803)
Enterprise activities	2,737,387	12,856	592,961		(2,131,570)		(2,131,570)
Interest on long-term liabilities	25,556,580				(25,556,580)		(25,556,580)
Other outgo	2,233,267	239	949,811		(1,283,217)		(1,283,217)
Depreciation (unallocated) (Note 4)	14,571,516				(14,571,516)		(14,571,516)
Business-type activities:							
Food services	34,481,852	1,236,288	30,272,210			$ (2,973,354)	(2,973,354)
All other general administration	1,637,699	54,372	1,331,364			(251,963)	(251,963)
Plant services	174,434	5,791	141,806			(26,837)	(26,837)
Enterprise services	149,942	4,978	121,896			(23,068)	(23,068)
Total governmental and business-type activities	$ 810,336,310	$ 5,430,055	$ 286,255,897	$ 13,516,329	(501,858,807)	(3,275,222)	(505,134,029)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					46,013,433		46,013,433
Taxes levied for debt service					31,284,702		31,284,702
Federal and state aid not restricted to specific purposes					400,447,978		400,447,978
Interest and investment earnings					8,753,931		8,753,931
Interagency revenues					3,157,877		3,157,877
Gain on the sale of capital assets					775,232		775,232
Miscellaneous					9,356,137		9,356,137
Total general revenues					499,789,290		499,789,290
Change in net assets					(2,069,517)	(3,275,222)	(5,344,739)
Net assets, July 1, 2007					323,405,835	24,525,202	347,931,037
Net assets, June 30, 2008					$ 321,336,318	$ 21,249,980	$ 342,586,298

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

FRESNO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash (Note 2)	$ 277,319,581	$ 13,475,734	$ 290,795,315
Accounts receivable	85,778,639	7,701,766	93,480,405
Due from (to) other funds (Note 3)	3,888,139	(3,888,139)	
Prepaid expenses	1,349,147	10,000	1,359,147
Stores inventory	3,505,310	1,179,826	4,685,136
Capital assets, net of accumulated depreciation (Note 4)	453,364,154	3,436,892	456,801,046
Total assets	825,204,970	21,916,079	847,121,049
LIABILITIES			
Accounts payable and other current liabilities	98,468,830	666,099	99,134,929
Deferred revenue	4,061,641		4,061,641
Self-Insurance claims liability (Note 5)	49,910,903		49,910,903
Long-term liabilities (Note 6):			
Due within one year	20,922,881		20,922,881
Due after one year	330,504,397		330,504,397
Total liabilities	503,868,652	666,099	504,534,751
NET ASSETS			
Invested in capital assets, net of related debt	141,326,695	3,436,892	144,763,587
Restricted (Note 7)	182,967,477	17,813,088	200,780,565
Unrestricted	(2,957,854)		(2,957,854)
Total net assets	$ 321,336,318	$ 21,249,980	$ 342,586,298

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

BASIC FINANCIAL STATEMENTS

The assumptions with Local issues are as follows:

- Central Office made ongoing reductions of 8%
- District will be funded on prior year ADA due to declining enrollment
- Special Education increase of one-on-one aides
- Coregis Funds to support one-time expenditures in facilities and technology
- Restricted Routine Maintenance Requirement to be funded at 3% of the General Fund
- Ongoing Program Development and continued support of the Targeted Improvement actions
- Benefit Rates
    - Maintain the Health rate in accordance with the current employee bargaining agreements.
    - Workers' Compensation decreased from the 2007/08 levels and the Liability Insurance rates has remained at the 2005/06 rate.
- Ongoing Targeted Improvement Actions of approximately $35.8 million

The final state budget was signed on September 26, 2008. As reported by multiple sources, while the final State Budget provides additional funds for schools, the solutions utilized for 2008/09 are projected to create a greater State fiscal imbalance in 2009/10 which will impact our budget. The Fresno Unified Board approved holding in reserve any additional funds to assist with the 2009/10 budget.

The District provides post employment medical benefits to all District employees (employed before July 1, 2005) and their dependents with a minimum of 16 years of service and employees at least 57½ years old. For employees hired on or after July 1, 2005, the District provides five years of post employment medical benefits to District employees and their dependents with a minimum of 25 years of service and employees at least 60 years old. GASB 43 and GASB 45 are new governmental accounting standards that direct how state and local governments will account for these benefits. The District's most recent actuarial study calculated the total gross liability for post employment benefits to be $758 million.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the District's Office of Administrative Services at (559) 457-6226.

Summary of Long-Term Liabilities

	2008	2007	$ Change	% Change
General Obligation Bonds	$ 264,898,742	$ 273,793,742	$ (8,895,000)	-3.25%
Accreted Interest	2,632,005		2,632,005	100%
Certificates of Participation	39,760,000	48,285,000	(8,525,000)	-17.66%
Capitalized Lease Obligations	274,484	676,304	(401,820)	-59.41%
QZABs	4,472,228	4,879,671	(407,443)	-8.35%
OPEB	37,569,446	-	37,569,446	100%
Compensated Absences	1,820,373	3,300,876	(1,480,503)	-44.85%
Total Long-Term Liabilities	$ 351,427,278	$ 330,935,593	$ 20,491,685	6.19%

At June 30, 2008, the District had total bonded debt outstanding of $265 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases and certificates of participation in the amount of $40 million still outstanding at the end of the 2007/08 fiscal year.

- Total long-term debt for the District increased $20.5 million during the 2007/08 fiscal year due mainly to the recognition of GASB 45 Post-retirement Health Benefits liability of $37.6 million.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was $88 million less than the maximum amount.

Economic Factor and Budgets and Rates for 2008/09

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. Since most of the District's revenue comes from the State, the District carefully derives assumptions from the Governor's priorities and calculates funding levels based upon enrollment projections.

On June 4, 2008, the Board approved an Adopted Budget for fiscal year 2008/09. The Adopted Budget includes a 5.0% reserve for economic uncertainties.

The major State assumptions associated with State funding issues are as follows:

State Revenues

- State Cost of Living Adjustment (COLA) of 5.66% and a deficit of 5.63% on the Revenue Limit
- Class Size Reduction K-3 program, Class Size Reduction 9th Grade program and the Apprenticeship program funded at 6.5% less than 2007/08
- No Equalization revenue
- Summer School Programs will have a deficit as high as 43% for non remedial classes
- Declining enrollment of 1,626 students

The estimated unrestricted ending balance was $50.4 million. The actual ending balance was $55.4 million. The difference of $5.0 million is mainly due to:

- Increased local income and revenue limit funds of $3.0 million
- Increased contribution to Special Education, 9th Grade Class Size Reduction, and one-time contributions for Williams Act emergency repairs of $1.0 million.
- Lower expenditures due to funds being allocated but not yet expended for technology, athletic facilities, and the new enterprises resource planning system of $3.0 million.

Capital Assets and Long-Term Liabilities

Schedule of Capital Assets

Governmental Activities, Capital Assets	**2008**	**2007**	**$ Change**	**% Change**
Land	$ 46,552,426	$ 46,552,426	$ -	$ -
Work-in-process	36,668,972	58,342,875	(21,673,903)	-37.1%
Land improvements	34,238,467	27,568,393	6,670,074	24.2%
Buildings	521,753,827	456,674,231	65,079,596	14.3%
Equipment	26,906,847	24,078,597	2,828,250	11.7%
Capital Assets, cost	666,120,539	613,216,522	52,904,017	8.6%
Accumulated Depreciation	(212,756,385)	(198,469,817)	(14,286,568)	7.2%
Governmental Activities Capital Assets, net	$453,364,154	$414,746,705	$38,617,447	9.3%
Business-Type Activities, Capital Assets				
Equipment	$6,622,098	$3,512,751	$3,109,347	88.5%
Accumulated Depreciation	(3,185,206)	(2,797,130)	(388,076)	13.9%
Business-Type Activities Capital Assets, net	$ 3,436,892	$ 715,621	$ 2,721,271	380.3%

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2008 was $453 million (net of accumulated depreciation).

Capital assets include land, land improvements, buildings, equipment, and work-in- progress. Capital assets continued to grow in the governmental activities as District-wide construction continued as a result of Measure "K" bond funding. Capital assets in the business-type activities increased primarily due to the equipping of the District's new Nutrition Center.

Governmental activities – Capital Project Funds for the District provide the same type of information presented in the government-wide financial statements, but in greater detail. The following highlights significant activity in the District's capital project funds for fiscal year 2007/08.

- The Capital Project Fund's spent $44.4 million on projects (Measure K - $28.0 million, Year Round Air Conditioning - $13.5 million, Developer Fees - $2.1 million, and Measure A - $800,000).

- The Building Fund's major projects and activities include the following:
  - Modernization Projects for the following sites: Awahnee, Bullard, Burroughs, Calwa, Heaton, Hoover, Kirk, Lincoln, Lowell, Robinson, Sunset, Tioga, and Yosemite — $24.5 million
  - Year-Round Air Conditioning Projects — $13.5 million
  - Completion of New Schools (Olmos and Williams Elementary) — $6.4 million

Financial Analysis of the District's Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The General Fund is the chief operating fund of the District. Student enrollment decreased by 2,241 students during the fiscal year according to the October 2007 CBEDS data. The average daily funded attendance for fiscal year 2007/08 decreased 1,384 from the 2006/07 fiscal year. This decrease amounts to approximately $8.0 million.

The Bond Interest and Redemption Fund have adequate resources accumulated to make the principal and interest payments.

General Fund Budgetary Highlights

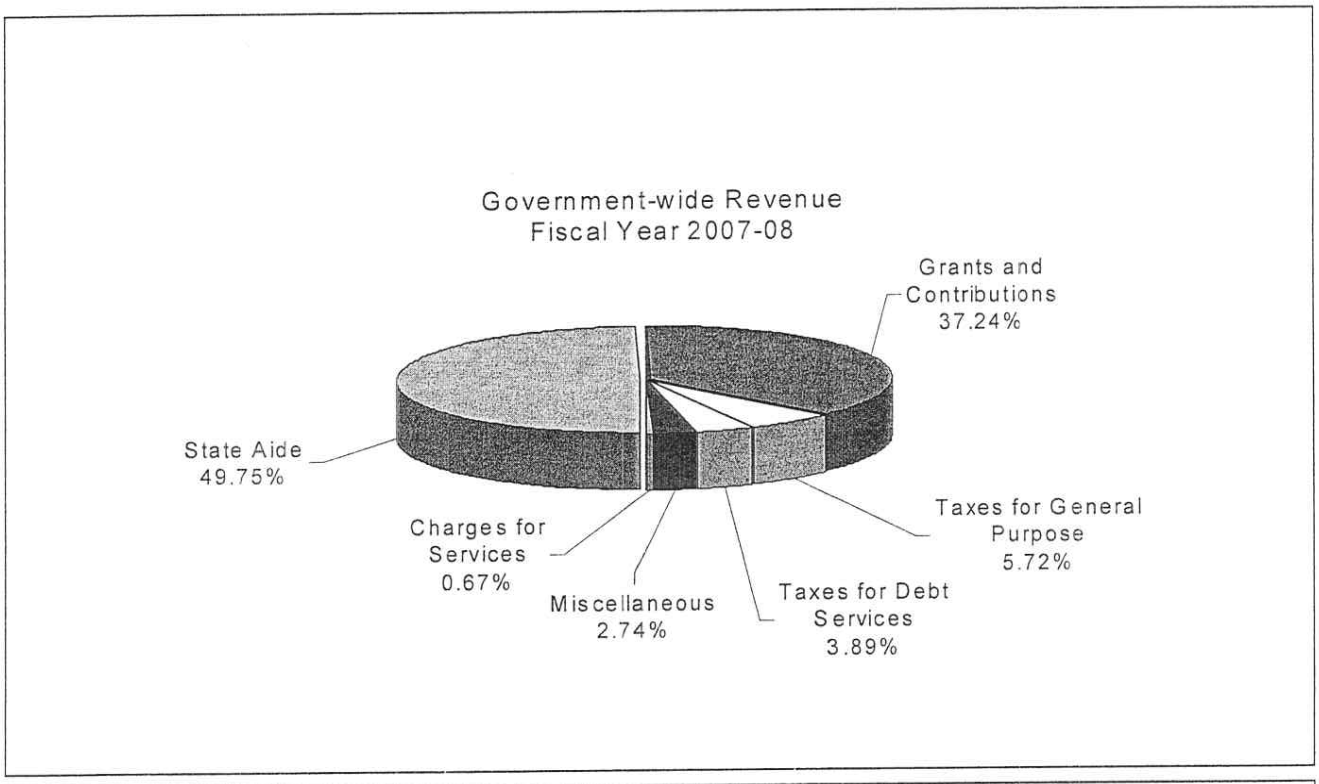
The General Fund budget is composed of the unrestricted and restricted fund budgets. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55% towards classroom compensation. In 2007/08, Fresno Unified spent 60.96% towards classroom compensation.

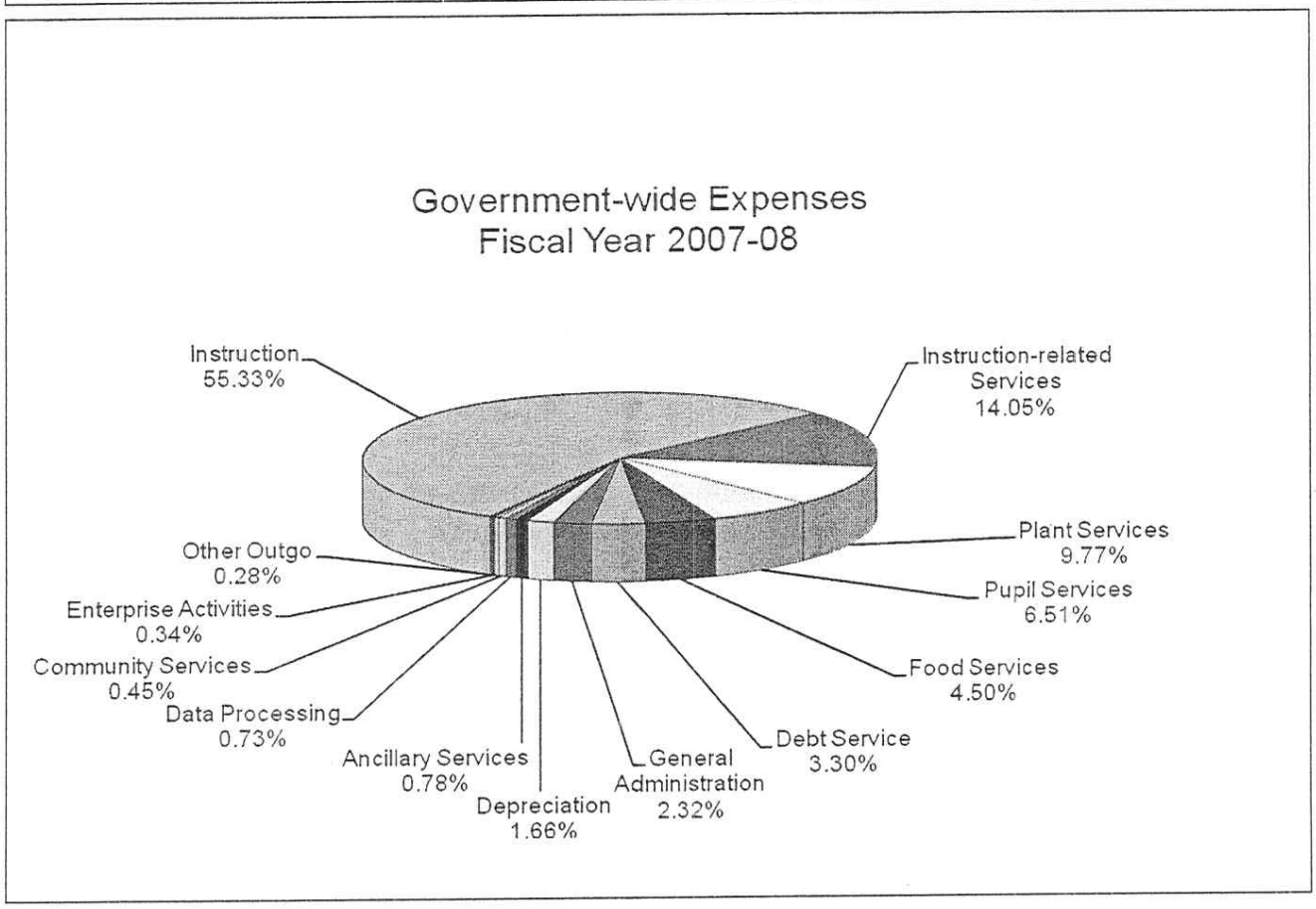
Over the course of the year, the District revised the annual operating budget six times. These budget amendments are authorized per Education Code 42601 and fall into the following categories:

- Changes made to recognize revenue anticipated/received from sources outside the District
- Changes made to recognize expenses

The District was required to presented year-end projections at two different intervals (December and March).

The District as a general rule requires restricted budgets to stay within their State and/or Federal allocation. The major exceptions include: Community Day; Restricted Routine Maintenance; CSR K-3; Special Education; and, Transportation. For these programs, in addition to the State and/or Federal allocation, the District contributes Unrestricted General Fund resources.


Government-wide Revenue
Fiscal Year 2007-08
Grants and Contributions 37.24%
State Aide 49.75%
Charges for Services 0.67%
Miscellaneous 2.74%
Taxes for Debt Services 3.89%
Taxes for General Purpose 5.72%


Government-wide Expenses
Fiscal Year 2007-08
Instruction 55.33%
Instruction-related Services 14.05%
Plant Services 9.77%
Pupil Services 6.51%
Food Services 4.50%
Debt Service 3.30%
General Administration 2.32%
Depreciation 1.66%
Ancillary Services 0.78%
Data Processing 0.73%
Community Services 0.45%
Enterprise Activities 0.34%
Other Outgo 0.28%

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	Change
Program Revenues							
Charges for Services	$4,128,626	$3,689,801	$1,301,429	$1,702,773	$5,430,055	$5,392,574	0.70%
Operating Grants & Contributions	254,388,621	243,012,306	31,867,276	28,603,925	286,255,897	271,616,231	5.39%
Capital Grants and Contributions	13,516,329	19,268,637			13,516,329	19,268,637	-29.85%
General Revenues							
Taxes and Subventions	77,298,135	89,814,851			77,298,135	89,814,851	-13.94%
Federal and State Aid, Unrestricted	400,447,978	390,234,861			400,447,978	390,234,861	2.62%
Interagency Revenues	3,157,877	3,542,483			3,157,877	3,542,483	-10.86%
Interest and Investment Earnings	8,753,931	10,239,018			8,753,931	10,239,018	-14.50%
Other General Revenues	10,131,369	20,857,678			10,131,369	20,857,678	-51.43%
Total Revenues	771,822,866	780,659,635	33,168,705	30,306,698	804,991,571	810,966,333	-0.74%
Expenses							
Instructional Related	562,244,240	483,284,549			$562,244,240	$483,284,549	16.34%
Student Support Services	52,717,750	48,191,969			52,717,750	48,191,969	9.39%
General Administrative	24,675,177	21,679,341			24,675,177	21,679,341	13.82%
Maintenance and Operations	79,169,902	80,659,728			79,169,902	80,659,728	-1.85%
Depreciation	14,571,516	12,779,451			14,571,516	12,779,451	14.02%
Other	40,513,798	31,451,701			40,513,798	31,451,701	28.81%
Enterprise Activities			36,443,927	32,292,102	36,443,927	32,292,102	12.86%
Total Expenses	$773,892,383	$678,046,739	$36,443,927	$32,292,102	$810,336,310	$710,338,841	14.08%
Change in Net Assets	$(2,069,517)	$102,612,896	$(3,275,222)	$(1,985,404)	$(5,344,739)	$100,627,492	105.31%

Government-wide Net Assets

The assets of the District are classified as follows: cash, accounts receivable, due from (to) other funds, prepaid expenses and other assets, stores inventory, and capital assets. Current and other assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of state revenue limit and property tax resources.

Capital assets are used in the operations of the District. These assets include land, land improvements, buildings, equipment and work-in-process.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, deferred revenue and self-insurance claims liabilities. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that became available during the 2007/08 fiscal year. Long-term liabilities such as general obligation bonds, Certificates of Participation (COPs), capitalized lease obligations, Qualified Zone Academy Bonds (QZAB), post-retirement employee benefits and compensated absences will be liquidated from resources that will become available after the 2007/08 fiscal year.

The assets of the primary government activities exceed liabilities by $321 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts are eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of $453 million in land, land improvements, buildings, equipment and work-in-process to provide the services to the District's 73,662 public school students represents 54% of the District's total assets. The table and chart above summarizes the District's government-wide net assets.

The District's Business-type activity decreased net assets by $3.3 million. The Business-type activity accounts for 6% of the District's net assets. Key elements that highlight the activities in 2007/08 fiscal year are as follows:

- The Cafeteria Fund provided over 21,686 breakfasts and 54,805 lunches and 7,110 snacks a day during the fiscal year (a 2.1% increase in meals served from the prior year). Fresno Unified had an 80% student population qualify for free or reduced price meals. Meals are served at 101 locations, utilizing 533 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.

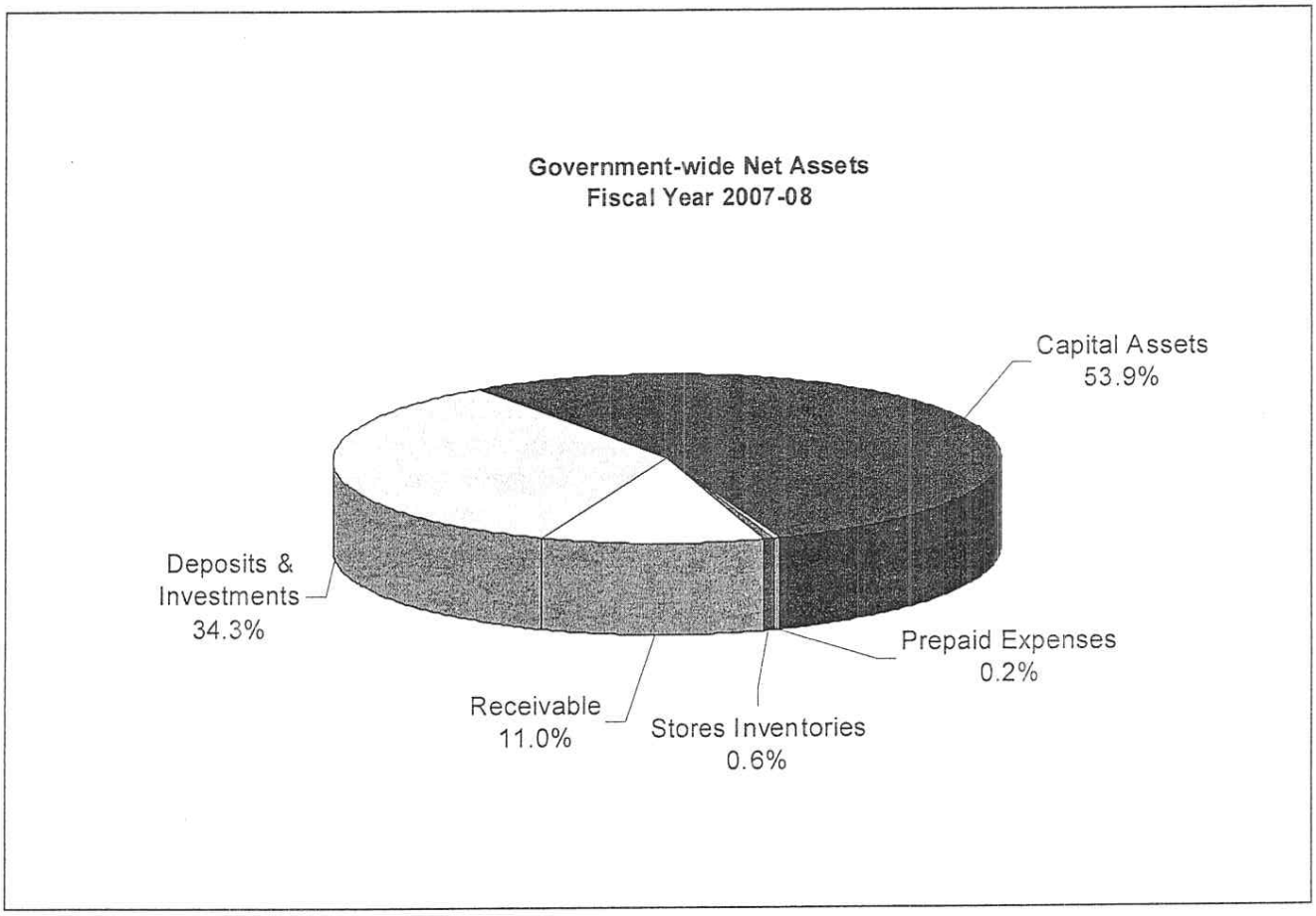
- 80 of the District's schools qualify for Provision 2 status due to the poverty level at these schools (an increase of one school from the prior year). This allows Food Services to provide meals to all enrolled students free of charge at these sites.

- The Nutrition Center opened in 2007/08. The Nutrition Center will be the cornerstone of food service operations for all school sites. Our previous facility only had the capability of packaging food items. The new facility will not only have the capability to pack, but also produce and prepare food products to improve our entire food and nutrition program.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	Change
Current and other assets	$371,840,816	$395,049,828	$18,479,187	$25,308,547	$390,320,003	420,358,375	-7.15%
Capital assets	453,364,154	414,746,705	3,436,892	715,621	456,801,046	415,462,326	9.95%
Total Assets	825,204,972	809,796,533	21,916,079	26,024,168	847,121,049	835,820,701	1.35%
Current liabilities	152,441,374	155,455,105	666,099	1,498,966	153,107,473	156,954,071	-2.45%
Long-term liabilities	351,427,278	330,935,593	-	-	351,427,278	330,935,593	6.19%
Total Liabilities	503,868,652	486,390,698	666,099	1,498,966	504,534,751	487,889,664	3.41%
Net assets invested in capital assets, net of related debt	141,326,695	91,991,659	3,436,892	715,621	144,763,587	92,707,280	56.15%
Restricted	182,967,447	185,432,266	17,813,088	23,809,581	200,780,565	209,241,847	-4.04%
Unrestricted	(2,957,854)	45,981,910	-	-	(2,957,854)	45,981,910	-106.43%
Total Net Assets	$321,336,318	$323,405,835	$21,249,980	$24,525,202	$342,586,298	$347,931,037	-1.54%



Fund Financial Statements

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. *Fund Financial Statements* for the District include governmental funds and proprietary funds.

Governmental funds account for essentially the same information reported in the governmental activities of the *Government-wide Financial Statements*. However, unlike the government-wide statements, the *Governmental Fund Financial Statements* focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains 12 different governmental funds. The major funds are the General, Building and County School Facilities Funds. They are presented separately in the *Fund Financial Statements* with the remaining governmental funds combined into a single aggregated presentation labeled *All Non-Major Funds*. Individual fund information for the non-major funds is presented in the Supplementary Information section.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the General Fund is included in the *Fund Financial Statements* to demonstrate compliance with the adopted budget.

The District maintains two types of proprietary funds. Enterprise funds are used to present the same functions as the business-type activities presented in the Government-wide Financial Statements.

The *Fund Financial Statements* of the enterprise fund provide the same information as the Government-wide Financial Statements only in more detail. The internal service fund is used to accumulate and allocate costs internally among the governmental functions.

The enterprise fund is the Cafeteria Fund and is considered to be a major fund. Individual internal service fund information is presented in the *Fund Financial Statements* as the Statement of Fund Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows – Proprietary Fund. These statements consolidate the District's internal service funds including the Property and Liability Fund, Workers' Compensation Fund, Health Fund, and the Defined Benefits Fund.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis presents an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the *Statement of Net Assets* and the *Statement of Activities.*

- The *Statement of Net Assets* presents information about all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

- The *Statement of Activities* presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The *Government-wide Financial Statements* consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues and business-type activities that are intended to recover all or most of their costs from user fees and charges. The District's Government-wide Statements include the following funds:

Governmental and Internal Service Activities	Business-Type Activities
General Fund	Cafeteria Fund
Special Revenue Funds	
Capital Project Funds	
Debt Service Funds	
Internal Service Funds	

The *Government-wide Financial Statements* also include information on component units that are legally separate from the District (known as the primary government). The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets*. We exclude these activities from the District's *Government-wide Financial Statements* because the District cannot use these assets to finance its operations.

Fresno Unified
School District

Preparing Career Ready Graduates

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Michael E. Hanson

We, the management of the Fresno Unified School District (the District), offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparison between fiscal year 2007/08 and fiscal year 2006/07.

FINANCIAL HIGHLIGHTS

- The primary government has net assets in governmental activities totaling $321 million at June 30, 2008.
- Business-type activities have a restricted net asset surplus of $21.25 million.
- The net assets the District's business-type activity for Food Services decreased by 13% due to the one-time equipment and food purchases for the opening of the Nutrition Center.
- The total net assets of the District decreased by $5.3 million during fiscal year 2007/08. The decreases are attributed to one-time funding from the state received in the prior year and spent during fiscal year 2007-08. Also, the District has continued to construct new capital assets as a result of Measure "K" bond funding.
- Fund balance of the District's governmental funds decreased by $40 million resulting in an ending fund balance of $169 million. The majority of the decrease is a result of expenditures from building, as well as utilization of prior year revenues in 2007/08 for one-time expenditures and employee compensation settlements.
- At the end of the 2007/08 fiscal year, the fund surplus in the District's Unrestricted General Fund decreased by $10.3 million. This was due mainly to the District settlement with the Fresno Teachers Association retroactive to fiscal year 2006/07, as well as utilizing one-time revenue received in prior years for planned expenditures in 2007/08.
- Governmental Accounting Standards Board Statement 45 (GASB 45) requires an actuarial valuation of the District's Retiree Health Benefits Plan. Effective July 1, 2007 the District is required to recognize the Annual Retirement Contribution (ARC) of $67 million offset with the 2007/08 healthcare costs for our retirees and covered dependents of $29.3 million. The change of $38 million is included as an increased liability.
- The District's long-term obligations increased by $20 million to $351 million mainly as a result of the newly implemented GASB 45 Post-retirement Health Benefits liabilities.
- The District's financial position remained positive for 2007/08 as reflected by Standard and Poor's credit rating of A+.

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SUPERINTENDENT
Michael E. Hanson

December 1, 2008

Board of Trustees
Fresno Unified School District
Fresno, California 93721

I am pleased to present the financial statements for the Fresno Unified School District (the District) for the fiscal year ended June 30, 2008, with the Independent Auditors' Reports on those financial statements and the Federal and State Compliance audits. These financial statements have been prepared in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), and confirm that the District is fiscally sound as defined by the State Controller's Office, with a General Fund balance of $84,960,865.

The California Education Code requires the governing board provide for an annual audit made by certified public accountants licensed by the State Board of Accountancy. The licensed firm of Perry Smith LLP rendered the attached auditors' reports. I believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the District's operations, and that the audit satisfies the requirements of the Education Code.

The District has prepared its financial statements since 2001 using the financial reporting requirements as prescribed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34). GASB No. 34 requires that Management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The independent auditors' reports cite no material internal control weaknesses, and no material instances of non-compliance with the requirements of federal and state programs. However, the auditors provided a list of findings and recommendations for the year ended June 30, 2008. District administration has reviewed these findings and recommendations and has responded to each. In addition, the auditors provide an analysis of the District's response to the findings and recommendations issued in connection with the previous fiscal year ended June 30, 2007.

The financial statements for the year ended June 30, 2008 present the District's sound financial condition and along with the MD&A as well as the included note disclosures, provide the reader with an understanding of the District's financial affairs.

Ruth F. Quinto, CPA
Associate Superintendent/Chief Financial Officer

PERRY-SMITH LLP
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Fresno Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Fresno Unified School District. 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.

Perry-Smith LLP

Sacramento, California
December 1, 2008

PERRY-SMITH LLP
ACCOUNTANTS

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Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Fresno Unified School District
Fresno, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District, as of and for the year ended June 30, 2008, which collectively comprise Fresno Unified School 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Fresno Unified School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008 on our consideration of Fresno Unified School District's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

FRESNO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2008

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FRESNO UNIFIED SCHOOL DISTRICT

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FRESNO UNIFIED SCHOOL DISTRICT

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