FREMONT UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

FREMONT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Fremont Unified School District
Fremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard,* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the District's proportionate share of net pension liability, and the schedule of District contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Fremont Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Fremont Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

FREMONT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

This discussion and analysis of Fremont Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $11.1 million, or 19.2%
- Governmental expenses were about $417.3 million. Revenues were about $428.4 million.
- The District spent over $65.8 million in new capital assets during the year. These expenditures were incurred primarily from improvement of sites and buildings.
- The District increased its outstanding long-term debt by $71 million. This was primarily due to the increase in other post employment benefits and STRS and PERS pension liabilities.
- Grades K-12 average daily attendance (ADA) increased by 334, or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

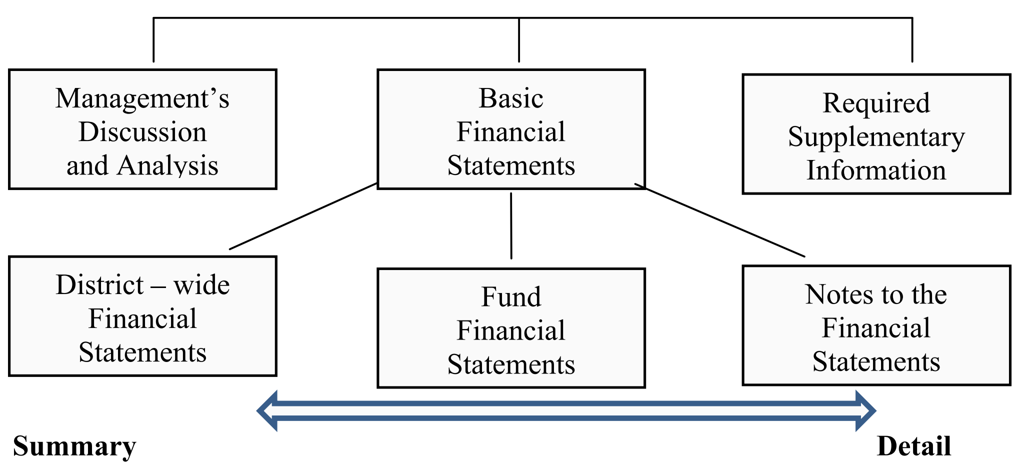
The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
- *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1, Organization of Fremont Unified School District's Annual Financial Report

The financial statements also include notes that explain some of the information in The statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Type of Statements	**District-Wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset /liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as Governmental Activities. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detail information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2) Proprietary funds – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The district uses the internal service fund to report activities that relate to the District's self-insured program for property and liability claims.

3) Fiduciary funds – The District is the trustee or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities form the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2017, than it was the year before – increasing 19.2% to ($46.6) million (See Table A-1).

See Table A-1

	Governmental Activities (in millions)		Variance
	2017	**2016**	**Increase/ (Decrease)**
Assets			
Current and other assets	$ 373.6	$ 409.9	$ (36.3)
Capital assets, net of depreciation	442.7	387.8	54.9
Total Assets	**816.3**	**797.7**	**18.6**
Deferred Outflows of Resources	**96.1**	**61.3**	**34.8**
Liabilities			
Current liabilities	53.9	52.4	1.5
Long-term debt	894.5	823.6	70.9
Total Liabilities	**948.4**	**876.0**	**72.4**
Deferred Inflows of Resources	**10.6**	**40.7**	**(30.1)**
Net Position			
Net investment in capital assets	160.3	131.9	28.4
Restricted	59.9	62.1	(2.2)
Unrestricted	(266.8)	(251.7)	(15.1)
Total Net Position	**$ (46.6)**	**$ (57.7)**	**$ 11.1**

Changes in Net Position, governmental activities. The District total revenues increased to 0.5% to $428.4 million (See Table A-2). The decrease is due primarily to LCFF and other state sources.

The total cost of all programs and services increased 8% to $433.4 million. The District's expenses are predominantly related to educating students, 70.0%. The administrative activities of the Districted accounted for just 4% of total costs. A significant contributor to the increase in costs was salaries and benefits.

Table A-2

	Governmental Activities (in millions)		Variance Increase/ (Decrease)
	2017	**2016**	
Revenues			
Program Revenues			
Charges for services and sales	$ 6.1	$ 4.1	$ 2.0
Operating grants and contributions	69.0	71.7	(2.7)
General Revenues			
Property taxes, levied for general purposes and debt service	162.0	146.1	15.9
Federal and state aid not restricted to specific purposes	175.5	181.0	(5.5)
Interest and miscellaneous	31.9	27.5	4.4
Total Revenues	444.5	430.4	14.1
Expenses			
Instruction and related activities	305.6	279.4	26.2
Pupil services	39.2	24.5	14.7
General administration	18.9	17.5	1.4
Plant services	46.6	33.0	13.6
Ancillary services	2.4	1.5	0.9
Interest on long-term debt	16.1	14.5	1.6
Other outgo	4.6	17.4	(12.8)
Total Expenses	433.4	387.8	45.6
Changes in Net Position	$ 11.1	$ 42.6	$ (31.5)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this year, its governmental funds reported a combined fund balance of $314.5 million, which is below last year's ending fund balance of $364.5 million. The primary causes of the decreased fund balance are increased costs in salaries and benefits, increased deficit in special education programs and one-time purchase of school buses.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues
  - Local Control Funding Formula (LCFF) Cap funding has increased from 52.56% to 56.08%, which resulted in an increase of LCFF Sources
  - One-time discretionary grant as reimbursement to previous claims for Mandated Activities
  - Carryover of unspent categorical funds from prior year
  - Other revenue categories were also adjusted as grants became available from the Federal, State and local agencies.

- Expenditures
  - Additional staffing due to increase in enrollment
  - Increase in employee benefits for State Teacher Retirement System(STRS) from 10.73% to 12.58% and Public employee Retirement System (PERS) from 11.847% to 13.888% of the employees' gross payroll
  - Budgeted expenditures were adjusted in accordance to the increase in categorical program revenues
  - Additionally, budget for unspent categorical programs (entitlements) with fund balance form the prior year were increased
  - Other expenditure categories were adjusted to cover any unexpected changes during the year.

While the District's final budget for the General Fund, included funds consolidated due to GASB 54, as listed on page 64 anticipated that expenditures would exceed revenues by about $25.3 million, the actual results for the year show that expenditures exceeded revenues by roughly $13.9 million. Actual revenues were $1.8 million less than anticipated, and expenditures were $13.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of 2016-17, the District had invested $442.7 million in capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in the notes to the financial statements). Total depreciation for the year was nearly $11.0 million.

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	$ 73.2	$ 0.3	$ -	$ 73.5
Site improvements	45.7	0.6	-	46.3
Buildings and improvements	428.0	17.2	-	445.2
Equipment	12.3	4.2	(0.1)	16.4
Construction in progress	30.7	75.0	(31.4)	74.3
Subtotal	589.9	97.3	(31.5)	655.7
Accumulated depreciation	(202.1)	(11.0)	0.1	(213.0)
	$ 387.8	$ 86.3	$ (31.4)	$ 442.7

LONG-TERM DEBT

At year-end the District had $894.5 million in general obligation bonds, certificates of participation, pension liabilities, and employment benefits – an increase of 9% from last year – as shown in Table A-4. (more detailed information about the District's long-term liabilities is presented in notes to the financial statements.

Table A-4: Outstanding Long-Term Debt at Year-End

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 433.4	$ -	$ (24.5)	$ 408.9
Certificates of participation	55.9	13.0	(1.0)	67.9
Aggregate net pension obligation	306.1	76.6	-	382.7
Other liabilities	28.1	10.0	(3.1)	35.0
Total Long-Term Debt	$ 823.5	$ 99.6	$ (28.6)	$ 894.5
Amount due within one year				$ 28.8

FACTORS BEARING ON THE DISTRICT'S FUTURE

During the District's budget development process, the following budget assumptions were applied to the District's budget based on the most current information available at that time. However, revenue and expenditure assumptions have changed since then. The following assumptions were applied to the District's 2017-18 Budget that was adopted in June 2017.

The following assumptions were used in estimating revenues and expenditures:

a) The Local control Funding Formula (LCFF) for 2017-18 is calculated based on LCFF gap factor of 43.97%; and enrollment of 35,507, which is net of 0.33% projected to actual enrollment variation.

b) Federal revenues include current year grants for 2017-18, however carryover of unspent funds from prior year is not yet included.

c) The Governor proposed one-time discretionary fund of approximately $170 per student, which is equivalent to about $6 million for Fremont Unified School District (FUSD). Additionally, the Governor proposed to release this fund in May 2019. Due to the uncertainty of this funding source, the anticipated $6 million is not included in the State revenues. The one-time funding from the prior year has been eliminated such as one-time discretionary funding of $7.2 million. Carryover of unspent funds from the prior year is not included.

d) The Local revenues include estimated gifts/donations from parent organizations and other local donors. Parcel tax revenue (Measure I) in the amount of $4.3 million is included. Measure I was approved by the voters of Fremont on June 7, 2016.

e) Certificate and Classified salaries include step and column adjustments for all eligible employees.

f) Employee benefits do not include any funds for potential penalties from the Affordable Care Act (ACA). It is also includes the increase in pension contribution for State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS).

g) Books and supplies budgets do not include carryover of unspent categorical revenues from the prior year.

h) Capital Outlay includes the expenditures for Proposition 39 (California Clean Energy Jobs Act).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Raul A. Parungao, Associate Superintendent, 4210 Technology Drive, Fremont, CA 94538 or (510) 659-2572.

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 347,285,287
Receivables	22,911,572
Prepaid expenses	3,097,761
Stores inventories and other current assets	280,183
Capital assets not depreciated	147,792,029
Capital assets, net of accumulated depreciation	294,903,428
Total Assets	816,270,260
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on refunding	7,773,436
Deferred outflows related to pensions	88,285,714
Total Deferred Outflows of Resources	96,059,150
LIABILITIES	
Accounts payable	46,581,037
Interest payable	7,013,672
Unearned revenue	294,952
Current portion of long-term obligations	28,802,378
Noncurrent portion of long-term obligations	865,704,244
Total Liabilities	948,396,283
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	10,561,342
NET POSITION	
Net investment in capital assets	160,317,587
Restricted for:	
Educational programs	12,110,314
Capital projects	13,551,589
Debt service	34,231,188
Unrestricted	(266,838,893)
Total Net Position	$ (46,628,215)

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

FREMONT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 259,094,982	$ 1,566,146	$ 42,053,691	$ (215,475,145)
Instruction-related activities				
Supervision of instruction	16,363,847	33,868	5,436,793	(10,893,186)
Instructional library, media and technology	4,847,177	136,722	32,836	(4,677,619)
School site administration	25,329,029	1,113,273	321,402	(23,894,354)
Pupil services				
Home-to-school transportation	13,325,626	20,370	1,992,977	(11,312,279)
Food services	7,372,570	2,398,834	2,573,465	(2,400,271)
All other pupil services	18,535,717	26,803	3,114,723	(15,394,191)
Administration				
Data processing	6,039,523	-	-	(6,039,523)
All other administration	12,925,812	305,769	2,069,510	(10,550,533)
Plant services	46,604,625	332,449	11,085,925	(35,186,251)
Ancillary services	1,684,064	769	323,769	(1,359,526)
Community services	715,239	-	-	(715,239)
Interest on long-term obligations	16,076,192	181,183	-	(15,895,009)
Other outgo	4,387,964	-	-	(4,387,964)
Total Governmental Activities	$ 433,386,139	$ 6,116,186	$ 69,005,091	(358,264,862)

General revenues and subventions:	
Property taxes, levied for general purposes	120,670,655
Property taxes, levied for debt service	36,988,799
Property taxes, levied for other specific purposes	4,339,363
Interagency revenue	450,547
Federal and State aid not restricted to specific purposes	175,520,324
Interest and investment earnings	940,833
Miscellaneous	30,423,554
Subtotal, General Revenues	369,334,075
Change in Net Position	11,069,213
Net Position - Beginning	(57,697,428)
Net Position - Ending	$ (46,628,215)

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

FREMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 58,046,650	$ 186,636,453	$ 38,583,311	$ 64,018,873	$ 347,285,287
Receivables	8,426,035	308,410	38,929	1,981,242	10,754,616
Due from other funds	576,923	207,707	-	502,726	1,287,356
Prepaid expenditures	3,091,262	-	-	6,499	3,097,761
Stores inventories	181,045	-	-	99,138	280,183
Total Assets	$ 70,321,915	$ 187,152,570	$ 38,622,240	$ 66,608,478	$ 362,705,203
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 32,837,513	$ 12,005,517	$ 4,731	$ 1,298,276	$ 46,146,037
Due to other funds	779,583	-	365,850	576,923	1,722,356
Unearned revenue	270,990	-	-	23,962	294,952
Total Liabilities	33,888,086	12,005,517	370,581	1,899,161	48,163,345
Fund Balances					
Nonspendable	454,842	-	-	105,637	560,479
Restricted	11,761,667	175,147,053	-	35,341,442	222,250,162
Assigned	17,108,343	-	38,251,659	29,262,238	84,622,240
Unassigned	7,108,977	-	-	-	7,108,977
Total Fund Balances	36,433,829	175,147,053	38,251,659	64,709,317	314,541,858
Total Liabilities and Fund Balances	$ 70,321,915	$ 187,152,570	$ 38,622,240	$ 66,608,478	$ 362,705,203

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

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 314,541,858**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 655,775,445	
Accumulated depreciation is	(213,079,988)	
Net Capital Assets		442,695,457
Deferred charges on refunding related to the loss on refunding of debt which is classified as a deferred outflow of resources and expensed over the life of the debt on the government-wide financial statements, but were recorded as an expenditure in the governmental fund statements when the debt was issued.		7,773,436
In governmental funds, deferred outflows and inflows of resources related to pensions are not reported because theya re applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		90,310,325
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is paid. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(7,013,672)
An internal service fund is used by the District's management to charge the costs of the worker's compensation and health and welfare insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of activities.		(428,997)
Liabilities of a long-term nature are not recorded in the governmental funds, but are reflected in the statement of net position. Long-term liabilities at year end consist of the following:		
Bonds payable	389,320,000	
Premiums	21,482,759	
Certificates of participation	65,985,000	
Compensated absences (vacations)	1,820,102	
Net pension liability	382,685,109	
Net OPEB obligation	33,213,652	
Total long-term debt		(894,506,622)
Total Net Position - Governmental Activities		**$ (46,628,215)**

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

FREMONT UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Special Reserve Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local control funding formula	$ 279,303,686	$ -	$ -	$ 2,772,024	$ 282,075,710
Federal sources	11,813,520	-	-	6,196,582	18,010,102
Other State sources	52,194,153	-	-	10,262,318	62,456,471
Other local sources	14,935,349	1,772,574	1,414,219	63,790,927	81,913,069
Total Revenues	358,246,708	1,772,574	1,414,219	83,021,851	444,455,352
EXPENDITURES					
Current					
Instruction	234,929,053	-	-	5,722,465	240,651,518
Instruction-related activities					
Supervision of instruction	14,406,940	-	-	619,887	15,026,827
Instructional library, media and technology	4,294,635	-	-	207,499	4,502,134
School site administration	21,902,726	-	-	1,623,278	23,526,004
Pupil services					
Home-to-school transportation	12,377,053	-	-	-	12,377,053
Food services	293,777	-	-	6,553,983	6,847,760
All other pupil services	17,215,001	-	-	1,266	17,216,267
Administration					
Data processing	5,587,799	-	-	21,805	5,609,604
All other administration	9,949,892	-	-	14,212,763	24,162,655
Plant services	33,192,689	-	31,681	1,402,130	34,626,500
Facility acquisition and construction	12,165,822	58,811,647	260,013	4,026,713	75,264,195
Ancillary services	1,564,185	-	-	-	1,564,185
Community services	664,325	-	-	-	664,325
Other outgo	4,387,964	-	-	-	4,387,964
Debt service					
Principal	-	-	-	23,760,000	23,760,000
Interest and other	-	-	-	17,006,403	17,006,403
Total Expenditures	372,931,861	58,811,647	291,694	75,158,192	507,193,394
Excess (Deficiency) of Revenues Over Expenditures	(14,685,153)	(57,039,073)	1,122,525	7,863,659	(62,738,042)
Other Financing Sources (Uses)					
Transfers in	798,219	-	-	2,047,773	2,845,992
Other sources	-	-	12,777,217	-	12,777,217
Transfers out	(36,102)	-	(2,809,890)	-	(2,845,992)
Net Financing Sources (Uses)	762,117	-	9,967,327	2,047,773	12,777,217
NET CHANGE IN FUND	(13,923,036)	(57,039,073)	11,089,852	9,911,432	(49,960,825)
Fund Balance - Beginning	50,356,865	232,186,126	27,161,807	54,797,885	364,502,683
Fund Balance - Ending	$ 36,433,829	$ 175,147,053	$ 38,251,659	$ 64,709,317	$ 314,541,858

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

FREMONT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Governmental Funds		**$ (49,960,825)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (11,016,992)	
Capital outlays	79,460,962	
Net Expense Adjustment		68,443,970
Amortization of premium and refunding costs are not recorded in the governmental funds, but they impact the statement of activities. The net amortization amount during the year is as follows:		
Premium on general obligation bonds	(1,702,824)	
Premium on certificates of participation	47,318	
Issuance cost	(615,688)	
Net amortization		(2,271,194)
Payments made on long-term obligations, including advance refunding, are recorded in the governmental funds as expenditures, but the payment decreases the liability on the statement of net position. Payments on long-term obligations were as follows:		
General obligation bond principal	22,795,000	
Certificates of participation	965,000	
Total long-term obligation payments		23,760,000
In the statement of activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount actually paid. This year, vacation used was less than the amounts earned.		(185,369)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabiities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount.		(12,969,815)
The unfunded OPEB annual required contribution (ARC) is not recorded in the governmental funds, but is recognized in the government-wide statement of activities as an expense.		(6,704,206)
In governmental funds, pension costs are recognized when employer contributions are made, in the statement of activities, pension costs are recognized on the accrual basis.		(9,033,281)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, as it requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(11,645)
An internal service fund is used by the District's management to charge the costs of the unemployment compensation and health and welfare insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		1,578
Change in Net Position of Governmental Activities		**$ 11,069,213**

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

FREMONT UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 13,833
Due from other funds	435,000
Total Assets	448,833
LIABILITIES	
Current Liabilities	
Accounts payable	2,945
Claim liabilities	439,885
Total Liabilities	442,830
NET POSITION	
Restricted for insurance	6,003
Total Net Position	$ 6,003

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

FREMONT UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Contributions	$ 535,000
OPERATING EXPENSES	
Supplies and materials	86,986
Facility rental	57,629
Claims and operating costs	389,137
Total Operating Expenses	533,752
Operating Income	1,248
NONOPERATING REVENUES	
Interest income	330
Change in Net Position	1,578
Total Net Position - Beginning	4,425
Total Net Position - Ending	$ 6,003

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

FREMONT UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 100,000
Cash payments for insurance claims	(63,483)
Cash payments to suppliers for goods and services	(93,706)
Cash payments for facility use	(57,629)
Net Cash Used By Operating Activities	(114,818)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	330
Net Cash Provided By Investing Activities	330
Net decrease in cash and cash equivalents	(114,488)
Cash and cash equivalents - Beginning	128,321
Cash and cash equivalents - Ending	$ 13,833
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 1,248
Changes in assets and liabilities:	
Receivables	99
Due from other fund	(435,000)
Accrued liabilities	318,835
NET CASH USED BY OPERATING ACTIVITIES	$ (114,818)

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

FREMONT UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

		Agency Fund
ASSETS		
Deposits and investments	$	1,828,804
Total Assets	$	1,828,804
LIABILITIES		
Due to student groups	$	1,828,804
Total Liabilities	$	1,828,804

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent of the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be incomplete or misleading. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Fremont Unified School District Financing Corporation (the Corporation) The Corporation's financial activity is presented in the financial statements blended in the Building Fund. Individual financial statements are not prepared for the Fremont Unified School District Financing Corporation.

Other Related Entities

Charter Schools - The District has approved a Charter for the Circle of Independent Learning (COIL) charter school pursuant to Education Code Section 47605. COIL is operated by the District and has been included in the financial statements.

Joint Powers Agencies and Public Entity Risk Pools - The District is associated with three joint powers agencies; Alameda County Schools Insurance Group, Mission Valley Regional Occupational Program (ROP), and Mission Valley Special Education Local Plan Area (SELPA). The organizations do not meet the criteria for inclusion as component units of the District. More detailed information is presented in Note 14 to the financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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

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

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

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

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

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Fund that is accounted for in an internal service fund, which includes the activity for the worker’s compensation and health and welfare programs.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2017 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventory

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

Capital Assets and Depreciation

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20 years; vehicles, 8 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

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

Accrued Liabilities and Long-term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt obligations and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount and premium of the debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however the District follow the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.
This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;

- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental funds	$ 347,285,287
Proprietary fund	13,833
Fiduciary fund	1,828,804
Total Deposits and Investments	$ 349,127,924

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 17,281,611
Investments	331,846,313
Total Deposits and Investments	$ 349,127,924

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk and Credit Risk

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments issued by or explicitly guaranteed by the US government are exempt from this disclosure. Presented below is information about the ratings of the District's investment portfolio and the weighted average maturity:

Investment Type	Book Value	Fair Value	Weighted Average Maturity	Rating
County Pooled Investment Funds	$ 331,846,313	$ 331,846,313	Less than one year	Not Applicable

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. On June 30, 2017, District bank balances of approximately $3,000,000 were exposed to custodial credit risk because they were uninsured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government					
Categorical aid	$ 1,240,536	$ -	$ -	$ 166,813	$ 1,407,349
State Government					
State principle apportionment	1,947,640	-	-	-	1,947,640
Categorical aid	3,091,253	-	-	307,294	3,398,547
Lottery	1,674,301	-	-	35,557	1,709,858
Interest	92,975	308,410	38,929	26	440,340
Other local sources	379,330	-	-	819,730	1,199,060
Total Receivables	$ 8,426,035	$ 308,410	$ 38,929	$ 1,329,420	$ 10,102,794

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets not being depreciated				
Land	$ 73,232,377	$ 295,456	$ -	$ 73,527,833
Construction in progress	30,743,344	74,968,741	(31,447,889)	74,264,196
Total capital assets not being depreciated	103,975,721	75,264,197	(31,447,889)	147,792,029
Capital assets being depreciated				
Land Improvements	45,708,730	638,841	-	46,347,571
Buildings and improvements	427,995,622	17,204,143	-	445,199,765
Furniture and equipment	12,304,942	4,196,765	(65,627)	16,436,080
Total capital assets being depreciated	486,009,294	22,039,749	(65,627)	507,983,416
Total capital assets	589,985,015	97,303,946	(31,513,516)	655,775,445
Less accumulated depreciation				
Land Improvements	(27,508,829)	(539,829)	-	(28,048,658)
Buildings and improvements	(164,674,251)	(9,583,624)	-	(174,257,875)
Furniture and equipment	(9,945,543)	(893,539)	65,627	(10,773,455)
Total accumulated depreciation	(202,128,623)	(11,016,992)	65,627	(213,079,988)
Capital assets, net of accumulated depreciation	$ 387,856,392	$ 86,286,954	$ (31,447,889)	$ 442,695,457

Depreciation expense charged as a direct expense to governmental functions was as follows:

Governmental Activities	
Instruction	$ 7,077,227
Supervision of instruction	441,918
Instructional library, media, and technology	132,402
School site administration	691,867
Pupil transportation	363,992
Food services	201,383
All other pupil services	506,307
Ancillary services	46,001
Community Services	19,537
All other general administration	353,071
Data processing services	164,971
Plant maintenance and operations	1,018,316
Total Depreciation Expense Governmental Activities	$ 11,016,992

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transaction and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and Nonmajor governmental funds, internal service fund, and fiduciary fund are as follows:

	Due From				
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Total
General Fund	$ -	$ 207,707	$ 136,876	$ 435,000	$ 779,583
Special Reserve Capital Outlay	-	-	365,850	-	365,850
Non-Major Governmental Funds	576,923	-	-	-	576,923
Total	$ 576,923	$ 207,707	$ 502,726	$ 435,000	$ 1,722,356

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

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consist of the following:

	Transfer From		
Transfer To	General Fund	Special Reserve Capital Outlay Major Fund	Total
General Fund	$ -	$ 798,219	$ 798,219
Non-Major Governmental Funds	36,102	2,011,671	2,047,773
Total	$ 36,102	$ 2,809,890	$ 2,845,992

The General Fund transferred to the Child Development Fund for the transfer of the Cal-Safe program.	$ 36,102
The Special Reserve Fund for Capital Outlay Projects transferred to the Cafeteria Fund for a temporary loan to address the budget deficit, which was reversed subsequent to year end.	2,011,671
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for rental revenue from the Marshall site and the purchase of delivery vehicles.	798,219
Total	$ 2,845,992

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Special Reserve Non-Capital Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds	Proprietary Fund
Vendor payables	$ 32,837,513	$ 4,731	$ -	$ 646,454	$ 33,488,698	$ 2,945
Construction payables	-	-	12,005,517	-	12,005,517	-
Total payables	$ 32,837,513	$ 4,731	$12,005,517	$ 646,454	$ 45,494,215	$ 2,945

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Nonmajor Governmental	Total Governmental Funds
Federal financial assistance	$ 77,338	$ -	$ 77,338
State categorical aid	90,025	-	90,025
Other local	103,627	23,962	127,589
Total	$ 270,990	$ 23,962	$ 294,952

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 412,115,000	$ -	$(22,795,000)	$ 389,320,000	$ 25,495,000
Premium on issuance of bond	21,270,871	-	(1,702,824)	19,568,047	1,700,569
Total - Bonds	433,385,871	-	(24,497,824)	408,888,047	27,195,569
Certificates of participation (COP)	54,570,000	12,380,000	(965,000)	65,985,000	1,530,000
Premium on issuance of COP	1,372,215	589,815	(47,318)	1,914,712	76,809
Total - Certificates of Participation	55,942,215	12,969,815	(1,012,318)	67,899,712	1,606,809
Accumulated vacation - net	1,634,733	185,369	-	1,820,102	-
Other post employment benefits	26,509,446	9,756,489	(3,052,283)	33,213,652	-
Net pension liability	306,131,740	76,553,369	-	382,685,109	-
Totals	$ 823,604,005	$99,465,042	$(28,562,425)	$ 894,506,622	$ 28,802,378

The Bond Interest and Redemption fund is used to collect assessed property taxes which is used to repay the general obligation bonds. The Capital Facilities fund is used to repay the certificates of participation. Accumulated vacation, net OPEB obligation and pension liabilities will be paid by the fund for which the employee worked.

Bonded Debt

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

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

On March 24, 2016, the District issued Series B in the amount of $130,000,000. The bonds were issued as follows: $90,045,000 in serial bonds with stated interest rates ranging between 3.0% and 4.0% and maturities between August 1, 2017 and 2040, and $39,955,000 in term bonds with a stated interest rate of 4.0% and maturing on August 1, 2045.

A summary of outstanding general obligation bonds issued and outstanding as of July 30, 2017, is presented below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Redeemed	Bonds Outstanding June 30, 2017
9/21/2005	8/1/2030	3.625-5.00%	$ 72,200,000	$ 295,000	$ -	$ 295,000	$ -
12/22/09	8/1/2020	2.00-5.00%	40,740,000	23,720,000	-	4,875,000	18,845,000
2/9/2012	8/1/2026	2.00-5.00%	61,210,000	58,740,000	-	-	58,740,000
12/18/2012	8/1/2030	2.00-5.00%	80,415,000	78,055,000	-	270,000	77,785,000
12/9/2014	8/1/2046	4.00%	140,000,000	121,305,000	-	17,355,000	103,950,000
3/24/2016	8/1/2045	3.00-4.00%	130,000,000	130,000,000	-	-	130,000,000
				$ 412,115,000	$ -	$ 22,795,000	$ 389,320,000

Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 25,495,000	$ 14,665,875	$ 40,160,875
2019	25,070,000	13,553,875	38,623,875
2020	8,585,000	12,817,500	21,402,500
2021	9,960,000	12,376,625	22,336,625
2022	8,245,000	11,910,075	20,155,075
2023-2027	53,745,000	53,455,175	107,200,175
2028-2032	78,020,000	40,425,712	118,445,712
2033-2037	35,095,000	31,976,937	67,071,937
2035-2038	60,070,000	23,287,926	83,357,926
2036-2046	85,035,000	8,356,300	93,391,300
Total	$ 389,320,000	$ 222,826,000	$ 612,146,000

Certificates of Participation

On May 27, 2015, and February 1, 2017 the District issued $54,570,000 and $12,380,000, respectively of certificates of participation through the Fremont Unified School District Financing Corporation for the purpose of providing funds for the purchase of 35068 Fremont Boulevard property and other capital improvements. The certificates consist of serial certificates with interest rates ranging between 3.25%-5.0% with maturity dates through August 1, 2036. Assets consisting of land, building, and equipment in the amount of $71,900,000 have been pledged as collateral for the certificates of participation.

The annual requirements to amortize the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,530,000	$ 2,624,289	$ 4,154,289
2019	1,360,000	2,581,168	3,941,168
2020	1,305,000	2,514,543	3,819,543
2021	1,405,000	2,446,793	3,851,793
2022	1,505,000	2,374,044	3,879,044
2023-2027	9,280,000	10,583,846	19,863,846
2028-2032	12,410,000	8,334,378	20,744,378
2033-2037	15,605,000	5,842,883	21,447,883
2038-2042	12,690,000	3,087,600	15,777,600
2043-2045	8,895,000	542,900	9,437,900
Totals	$ 65,985,000	$ 40,932,445	$ 106,917,445

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $1,820,102.

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Non-Capital	Nonmajor Governmental Fund	Total
Nonspendable					
Revolving cash	$ 100,000	$ -	$ -	$ -	$ 100,000
Stores inventories	181,045	-	-	99,138	280,183
Prepaid expenditures	173,797	-	-	6,499	180,296
Total nonspendable	454,842	-	-	105,637	560,479
Restricted					
Education programs	11,761,667	-	-	1,094,209	12,855,876
Capital projects	-	175,147,053	-	-	175,147,053
Debt services	-	-	-	34,247,233	34,247,233
Total restricted	11,761,667	175,147,053	-	35,341,442	222,250,162
Assigned					
Career technical education	3,618,640	-	-	-	3,618,640
Swimming pool at MSJHS	1,567,477	-	-	-	1,567,477
One time expenditures	9,311,254	-	-	-	9,311,254
Local control and accountability plan	1,490,297	-	-	-	1,490,297
Certificates of participation	-	-	13,772,569	-	13,772,569
Other	1,120,675	-	24,479,090	29,262,238	54,862,003
Total assigned	17,108,343	-	38,251,659	29,262,238	84,622,240
Unassigned					
Reserve for economic uncertainties	7,108,977	-	-	-	7,108,977
Total Unassigned	7,108,977	-		-	7,108,977
Total fund balances	$ 36,433,829	$175,147,053	$ 38,251,659	$ 64,709,317	$ 314,541,858

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

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Fremont Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1,160 retirees currently receiving benefits, and 2,895 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2016-17, the District contributed $3,052,283 to the plan, all of which was used for current premiums, which has been credited to the active employee accrual for the year. Plan members are paid a monthly amount equal to $128 per month for a person at least 55 years up to 65 years old.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Annual required contribution	$ 9,749,621
Interest on net OPEB obligation	1,060,378
Adjustment to annual required contribution	(1,053,510)
Annual OPEB costs	9,756,489
Employer contribution	(3,052,283)
Increase in net OPEB obligation	6,704,206
Net OPEB obligation- beginning of year	26,509,446
Net OPEB obligation - end of year	$ 33,213,652

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB Obligation for 2017 and the preceding two years are as follows:

Year Ended	Annual OPEB Cost	Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2015	$ 8,354,756	$ 3,592,545	43%	$ 21,925,374
June 30, 2016	8,269,953	3,721,479	45%	26,509,446
June 30, 2017	9,756,489	3,052,283	31%	33,213,652

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, 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. The schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	$ -	$ 111,114,310	$ 111,114,310	0%	$ 256,059,352	43.39%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the Entry Age Level Percent of Pay Method was used. The actuarial assumptions included four percent investment rate of return (net of administrative expenses). Healthcare cost trend rates ranged from an initial percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at an open level dollar method. The remaining amortization period at July 1, 2017, was 30 years.

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Self-Insurance Funds. The District is exposed to various types of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; natural disaster and employee injuries and illnesses for which the District is self-insured. The District has formal self-insurance plans for worker's compensation, property and liability, employee dental, employee medical and employee income protection. For workers' compensation coverage, the District is a member of the Alameda County Schools Insurance Group (ACSIG), a joint powers authority (JPA), from which the District purchases first dollar insurance. For property and liability coverage, the District purchases from Northern California Relief (NorCal ReLief) JPA, with a $100,000 retention. Funds are set aside by the District to pay for claims under the self insurance limit.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2017, the District participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage form the prior year.

Employee Medical Benefits

The District has contracted with California Valued trust to provide employee health and welfare benefits.

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Self Insurance
Liability Balance, July 1, 2015	$ 306,899
Claims and changes in estimates	(179,745)
Claims payments	(12,824)
Liability Balance, June 30, 2016	114,330
Claims and changes in estimates	712,092
Claims payments	(386,537)
Liability Balance, June 30, 2017	$ 439,885
Assets available to pay claims at June 30, 2017	$ 445,888

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 290,310,481	$ 57,645,124	$ 7,786,035	$ 36,525,516
CalPERS	92,374,628	30,640,590	2,775,307	6,663,029
Total	$ 382,685,109	$ 88,285,714	$ 10,561,342	$ 43,188,545

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $23,978,095.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	290,310,481
State's proportionate share of the net pension liability associated with the District		165,268,578
Total	$	455,579,059

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was .3589 percent and .3566 percent, resulting in a net increase in the proportionate share of .0023 percent.

For the year ended June 30, 2017, the District recognized pension expense of $36,525,516. In addition, the District recognized pension expense and revenue of $15,974,948 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 23,978,095	$ -
Net change in proportionate share of net pension liability	10,587,488	704,241
Difference between projected and actual earnings on pension plan investments	23,079,541	-
Differences between expected and actual experience in the measurement of the total pension liability	-	7,081,794
Total	$ 57,645,124	$ 7,786,035

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 503,518
2019	503,519
2020	13,416,217
2021	8,656,287
Total	$ 23,079,541

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 707,658
2019	707,658
2020	707,658
2021	707,658
2022	707,657
Thereafter	- 736,836
Total	$ 2,801,453

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 417,822,256
Current discount rate (7.60%)	$ 290,310,481
1% increase (8.60%)	$ 184,406,613

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.89%	13.89%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $8,221,048.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $92,374,628. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.4677 percent and 0.4463 percent, resulting in a net increase in the proportionate share of 0.0214 percent.

For the year ended June 30, 2017, the District recognized pension expense of $6,663,029. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,221,048	$ -
Net change in proportionate share of net pension liability	4,112,976	-
Difference between projected and actual earnings on pension plan investments	14,333,572	-
Differences between expected and actual experience in the measurement of the total pension liability	3,972,994	-
Changes of assumptions	-	2,775,307
Total	$ 30,640,590	$ 2,775,307

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 2,010,473
2019	2,010,474
2020	6,571,690
2021	3,740,935
Total	$ 14,333,572

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 1,796,085
2019	1,806,287
2020	1,708,291
Total	$ 5,310,663

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 20162015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 137,823,459
Current discount rate (7.65%)	$ 92,374,628
1% increase (8.65%)	$ 54,529,532

Tax Deferred Annuity/Social Security

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

The District also contributes to the Fremont Unified School District 403(b) and 457(b) Tax Deferred Annuity Plans, which are defined contribution pension plans. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $15,974,948 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Location	Capital Project	Remaining Construction Commitment	Expected Date of Completion
Cabrillo ES	Stage Relocation	$ 1,050	July 2017
Horner JR High	Conversion	132,837	January 2020
Walters JR High	Conversion	60,173	October 2018
Brier ES	Floor Covering/Tile/Carpet	80,703	September 2024
Cabrillo ES	Floor Covering/Tile/Carpet	64,986	September 2020
Glenmoor ES	Floor Covering/Tile/Carpet	266,157	September 2021
Green ES	Floor Covering/Tile/Carpet	242,873	September 2022
Leitch ES	Floor Covering/Tile/Carpet	26,964	September 2023
Mattos ES	Floor Covering/Tile/Carpet	163,646	September 2020
Mission San Jose ES	Floor Covering/Tile/Carpet	60,670	September 2021
Mission Valley ES	Floor Covering/Tile/Carpet	95,692	November 2019
Niles ES	Floor Covering/Tile/Carpet	90,621	September 2024
Forest Park ES	Floor Covering/Tile/Carpet	41,431	September 2022
Oliveira ES	Floor Covering/Tile/Carpet	267,577	December 2018
Parkmont ES	Floor Covering/Tile/Carpet	121,385	September 2023
Patterson ES	Floor Covering/Tile/Carpet	51,475	September 2023
Vallejo Mill ES	Floor Covering/Tile/Carpet	95,006	September 2019
Warwick ES	Floor Covering/Tile/Carpet	116,627	September 2021
Brookvale ES	Floor Covering/Tile/Carpet	116,810	October 2019
Ardenwood ES	Floor Covering/Tile/Carpet	94,279	August 2020
Mission San Jose High	Floor Covering/Tile/Carpet	512,479	December 2017
American High	Floor Covering/Tile/Carpet	282,977	Janaury 2019
Fremont Adult Sch	Floor Covering/Tile/Carpet	123,858	September 2020
District	HVAC	109,425	November 2017
American High	HVAC and Lighting	13,975,168	February 2020
American High	Lighting	81,679	January 2019
Mission San Jose High	Lighting	81,696	August 2019
Washington High	Lighting	85,236	October 2020
Horner JR High	Middle School Conversion-Ph 2	34,089,076	January 2020
Walters JR High	Middle School Conversion-Ph 2	20,340,929	January 2020
Horner JR High	MS Conversions	30,466,947	January 2020
Walters JR High	MS Conversions	16,297,088	October 2018

American High	New/Replacement Classrooms	7,120,213	March 2018
Brookvale ES	New/Replacement Classrooms	1,640,389	December 2017
Patterson ES	New/Replacement Classrooms	773,726	July 2017
Washington High	New/Replacement Classrooms	13,291,531	April 2019
Mission San Jose High	Pool Repair/Replacement	634,641	October 2018
Azevada ES	Technology Infrastructure	768,912	January 2018
Blacow ES	Technology Infrastructure	162,620	December 2017
Brier ES	Technology Infrastructure	1,032,643	Janaury 2018
Cabrillo ES	Technology Infrastructure	135,199	December 2017
Chadbourne ES	Technology Infrastructure	169,300	December 2017
Durham ES	Technology Infrastructure	313,636	December 2017
Glenmoor ES	Technology Infrastructure	771,519	January 2018
Green ES	Technology Infrastructure	135,808	December 2017
Grimmer ES	Technology Infrastructure	409,941	December 2017
Hirsch ES	Technology Infrastructure	180,344	December 2017
Weibel ES	Technology Infrastructure	174,800	December 2017
Leitch ES	Technology Infrastructure	895,890	January 2018
Maloney ES	Technology Infrastructure	141,410	December 2017
Mattos ES	Technology Infrastructure	430,097	December 2017
Millard ES	Technology Infrastructure	303,993	December 2017
Mission San Jose ES	Technology Infrastructure	763,639	February 2018
Mission Valley ES	Technology Infrastructure	1,063,046	February 2018
Niles ES	Technology Infrastructure	133,552	December 2017
Forest Park ES	Technology Infrastructure	218,754	December 2017
Oliveira ES	Technology Infrastructure	342,555	January 2018
Parkmont ES	Technology Infrastructure	321,936	January 2018
Patterson ES	Technology Infrastructure	274,453	January 2018
Warm Springs ES	Technology Infrastructure	1,090,252	February 2018
Gomes ES	Technology Infrastructure	1,114,432	February 2018
Warwick ES	Technology Infrastructure	225,975	December 2017
Irvington High	Technology Infrastructure	1,762,870	December 2017
Mission San Jose High	Technology Infrastructure	1,455,594	December 2017
Washington High	Technology Infrastructure	2,525,381	December 2017
American High	Technology Infrastructure	1,817,141	February 2020
Robertson Continuation	Technology Infrastructure	209,904	December 2017
Fremont Adult Sch	Technology Infrastructure	1,378,775	January 2018
Brookvale ES	Relocation-New Classrooms	1,624	December 2017
Hopkins JR High	Remodel	335,871	November 2017
Horner JR High	FY17/18 Portable Classrooms	295,938	August 2017
Thornton	FY17/18 Portable Classrooms	439,256	August 2017
American High	FY17/18 Portable Classrooms	596,030	August 2017
Irvington High	Amphitheater	63,830	To be determined
Totals		$ 164,554,941	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District participates in joint ventures under joint powers agreements with the Alameda County Schools Insurance Group (ACSIG), Northern California ReLiEF Public Entity Risk Pools, the Mission Valley Regional Occupational Program (MVROP), and the Statewide Educational Wrap Up Program (SEWUP) Joint Powers Authorities (JPAs) for benefits. The District pays the Mission Valley Regional Occupational Program apportionments related to its ROP attendance. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

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

During the year ended June 30, 2017, the District made payments of $6,658,423, $5,062,839 and $4,371,976 to ACSIG, MVROP, and SEWUP, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local control funding formula	$ 280,122,833	$ 279,320,599	$ 279,303,686	$ (16,913)
Federal sources	11,024,254	13,207,996	11,813,520	(1,394,476)
Other State sources	51,672,248	52,654,518	52,194,153	(460,365)
Other local sources	5,410,712	14,862,999	14,935,349	72,350
Total Revenues [1]	348,230,047	360,046,112	358,246,708	(1,799,404)
EXPENDITURES				
Current				
Certificated salaries	183,704,418	190,385,505	188,825,334	1,560,171
Classified salaries	57,058,015	57,695,857	57,548,559	147,298
Employee benefits	60,888,895	62,150,194	61,353,137	797,057
Books and supplies	14,450,711	19,661,980	14,846,366	4,815,614
Services and operating expenditures	23,848,314	32,273,520	30,732,476	1,541,044
Capital outlay	5,292,882	19,979,978	15,856,706	4,123,272
Other outgo	3,774,672	3,854,614	3,769,283	85,331
Total Expenditures [1]	349,017,907	386,001,648	372,931,861	13,069,787
Excess (Deficiency) of Revenues Over Expenditures	(787,860)	(25,955,536)	(14,685,153)	11,270,383
Other Financing Sources (Uses)				
Transfers in	694,741	798,730	798,219	(511)
Transfers out	(100,000)	(100,000)	(36,102)	63,898
Net Financing Sources (Uses)	594,741	698,730	762,117	63,387
NET CHANGE IN FUND BALANCES	(193,119)	(25,256,806)	(13,923,036)	11,333,770
Fund Balance - Beginning	50,356,865	50,356,865	50,356,865	-
Fund Balance - Ending	$ 50,163,746	$ 25,100,059	$ 36,433,829	$ 11,333,770

[1] On-behalf payments of $15,974,948 for CalSTRS were included in Other State Revenue and Instructional Expenditures in the Actual column, but the amounts are excluded in the budget columns. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, and also are included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2012	$ -	$ 71,394,699	$ 71,394,699	0%	$ 188,958,649	37.78%
July 1, 2014	-	76,521,608	76,521,608	0%	201,406,493	37.99%
July 1, 2016	-	111,114,310	111,114,310	0%	256,059,352	43.39%

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.3589%	0.3566%	0.3420%
District's proportionate share of the net pension liability	$ 290,310,481	$ 240,346,680	$ 199,854,540
State's proportionate share of the net pension liability associated with the District	165,268,578	126,979,856	121,050,452
Total	$ 455,579,059	$ 367,326,536	$ 320,904,992
District's covered - employee payroll	$ 160,594,009	$ 145,868,412	$ 160,599,764
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	180.77%	164.77%	124.44%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.4677%	0.4463%	0.4175%
District's proportionate share of the net pension liability	$ 92,374,628	$ 65,785,060	$ 47,396,415
District's covered - employee payroll	$ 48,625,478	$ 43,927,556	$ 48,878,779
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	189.97%	149.76%	96.97%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 23,978,095	$ 14,260,748	$ 12,034,144
Contributions in relation to the contractually required contribution	(23,978,095)	(14,260,748)	(12,034,144)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 190,714,760	$ 160,594,009	$ 145,868,412
Contributions as a percentage of covered - employee payroll	12.57%	8.88%	8.25%
CalPERS			
Contractually required contribution	$ 8,221,048	$ 5,723,705	$ 5,016,527
Contributions in relation to the contractually required contribution	(8,221,048)	(5,723,705)	(5,016,527)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 59,241,278	$ 48,625,478	$ 43,927,556
Contributions as a percentage of covered - employee payroll	13.88%	11.77%	11.42%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
Adult Basic Education and ESL	84.002	14508	$ 316,455
Adult Secondary Education	84.002	13978	52,772
English Literacy & Civics Education Local Grant	84.002	14109	175,747
Indian Education	84.060A	[2]	35,879
No Child Left Behind			
Title I, Basic Grants Low-Income and Neglected	84.010	14329	2,719,927
Title I, Migrant Education (Regular and Summer Program)	84.011	14326	73,199
Title I, Part C, Even Start Migrant Education	84.011	14768	11,980
Title II, Secondary II C, Section 131	84.048	14894	150,326
Title II, Part A, Teacher Quality	84.367	14341	536,694
Title III, Immigrant Education Program	84.365	14346	178,481
Title III, Limited English Proficient Student Program	84.365	14346	662,930
Vocational Rehab Workability	84.126A	[2]	321,006
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement	84.027	13379	11,048,042
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	390,116
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	81,308
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	519,574
Preschool Grants, Part B, Sec 619	84.173	13430	179,330
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,245
Subtotal Special Education Cluster			12,219,615
Total U.S. Department of Education			17,455,011
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	1,848,151
Meal Supplements and Basic School Breakfast	10.555	13396	34,551
Especially Needy Breakfast	10.553	13526	308,975
Basic Breakfast	10.553	13390	17,115
Fair Value of Commodities	10.555	13391	279,862
Subtotal Child Nutrition Cluster			2,488,654
Total U.S. Department of Agriculture			2,488,654
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services			
Medicaid Cluster			
Medi-Cal Billing	93.778	10013	191,797
Subtotal Medicaid Cluster			191,797
Total U.S. Department of Health and Human Services			191,797
Total Expenditures of Federal Awards			$ 20,135,462

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

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

The Board of Education and the District Administrators for the fiscal year ended June 30, 2017, were as follows:

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ann Crosbie	President	2020
Yang Shao	Vice President	2018
Michele Berke	Clerk	2020
Desrie Campbell	Member	2020
Larry Sweeney	Member	2018

ADMINISTRATION

James Morris, Ed.D. [1]	Superintendent
Raul A. Parungao	Associate Superintendent
Raul Zamora, Ed. D.	Assistant Superintendent, Human Resources
Kim Wallace, Ed. D [2]	Assistant Superintendent, Instructional Services

[1] Effective July 1, 2017, Kim Wallace is the new Superintendent
[2] Effective July 1, 2017, Denise Herrmann is the new Associate Superintendent – Instructional Services.

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	11,064.92	11,056.36
Fourth through sixth	7,968.38	7,960.40
Seventh and eighth	5,099.53	5,089.41
Ninth through twelfth	9,597.69	9,563.01
Total Regular ADA	33,730.52	33,669.18
Extended Year Special Education		
Transitional kindergarten through third	24.68	24.68
Fourth through sixth	16.29	16.29
Seventh and eighth	7.79	7.79
Ninth through twelfth	16.08	16.08
Total Extended Year Special Education	64.84	64.84
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.42	4.52
Fourth through sixth	5.83	5.34
Seventh and eighth	2.83	2.83
Ninth through twelfth	27.00	25.57
Total Special Education, Nonpublic, Nonsectarian Schools	40.08	38.26
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.32	0.32
Fourth through sixth	1.11	1.11
Seventh and eighth	0.70	0.70
Ninth through twelfth	6.89	6.89
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	9.02	9.02
Total ADA	33,844.46	33,781.30

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
CHARTER SCHOOL		
Regular ADA - Non-Classroom-based		
Transitional kindergarten through third	27.31	27.52
Fourth through sixth	63.75	63.59
Seventh and eighth	57.57	57.85
Ninth through twelfth	191.28	192.80
Total Regular Non-Classroom-based ADA	339.91	341.76

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

			Number of Days		
Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3					
Grade 1	50,400	51,300	180	N/A	Complied
Grade 2	50,400	51,300	180	N/A	Complied
Grade 3	50,400	51,295	180	N/A	Complied
Grades 4 - 6					
Grade 4	54,000	54,000	180	N/A	Complied
Grade 5	54,000	54,000	180	N/A	Complied
Grade 6	54,000	54,000	180	N/A	Complied
Grades 7 - 8					
Grade 7	54,000	56,021	180	N/A	Complied
Grade 8	54,000	56,021	180	N/A	Complied
Grades 9 - 12					
Grade 9	64,800	64,800	180	N/A	Complied
Grade 10	64,800	64,800	180	N/A	Complied
Grade 11	64,800	64,800	180	N/A	Complied
Grade 12	64,800	64,800	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

None noted.

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND				
Revenues	$ 340,586,799	$ 342,271,759	$ 337,432,492	$ 287,320,608
Other sources and transfers in	1,420,000	798,219	-	-
Total Revenues and Other Sources	342,006,799	343,069,978	337,432,492	287,320,608
Expenditures	349,615,184	356,956,912	321,540,105	289,796,790
Other uses and transfers out	100,000	36,102	106,577	33,313
Total Expenditures and Other Uses	349,715,184	356,993,014	321,646,682	289,830,103
INCREASE (DECREASE) IN FUND BALANCE	$ (7,708,385)	$ (13,923,036)	$ 15,785,810	$ (2,509,495)
ENDING FUND BALANCE	$ 28,725,444	$ 36,433,829	$ 50,356,865	$ 33,100,367
AVAILABLE RESERVES	$ 6,994,304	$ 7,108,977	$ 13,588,392	$ 16,829,941
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.0%	2.0%	4.2%	5.8%
LONG-TERM DEBT	$ 865,704,244	$ 894,506,622	$ 823,604,005	$ 650,252,358
K-12 AVERAGE DAILY ATTENDANCE AT P-2	34,502	33,844	33,509	33,031

The General Fund balance has increased by $3,333,462 the past two years. The fiscal year 2017-18 budget projects a decrease of $7,708,385 (2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred two operating deficits over the previous three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by $244,254,264 over the past two years.

Average daily attendance has increased by 813 over the past two years. An increase of 658 ADA is anticipated during fiscal year 2017-18.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund, plus the committed fund balance for revenue stabilization.

[3] On-behalf payments of $15,974,948, $10,201,473, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2017, 2016, respectively.

[4] General Fund amounts include activity related to the consolidation of the Deferred Maintenance Fund, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

Name of Charter School	Included in District Audit
Circle of Independent Learning Charter School	Yes

See accompanying note to supplementary information.

FREMONT UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Charter School Fund	Adult Education Fund	Child Development Fund
ASSETS			
Deposits and investments	$ 973,862	$ 3,068,480	$ 358,308
Receivables	238,505	482,500	25,841
Due from other funds	136,876	-	-
Prepaid expenses	6,499	-	-
Stores inventories	-	-	-
Total Assets	$ 1,355,742	$ 3,550,980	$ 384,149
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 62,127	$ 72,444	$ 32,859
Due to other funds	12,053	232,520	12,725
Unearned revenue	-	-	23,962
Total Liabilities	74,180	304,964	69,546
Fund Balances			
Nonspendable	6,499	-	-
Restricted	274,474	71,447	252,467
Assigned	1,000,589	3,174,569	62,136
Total Fund Balances	1,281,562	3,246,016	314,603
Total Liabilities and Fund Balances	$ 1,355,742	$ 3,550,980	$ 384,149

See accompanying note to supplementary information.

Cafeteria Fund	Special Ed Pass Through Fund	Capital Facilities Fund	State School Building Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
$ 164,394	$ -	$ 25,267,378	$ 16,019	$ 34,170,432	$ 64,018,873
483,342	651,822	38,450	26	60,756	1,981,242
365,850	-	-	-	-	502,726
-	-	-	-	-	6,499
99,138	-	-	-	-	99,138
$ 1,112,724	$ 651,822	$ 25,305,828	$ 16,045	$ 34,231,188	$ 66,608,478
$ 198,140	$ 651,822	$ 280,884	$ -	$ -	$ 1,298,276
319,625	-	-	-	-	576,923
-	-	-	-	-	23,962
517,765	651,822	280,884	-	-	1,899,161
99,138	-	-	-	-	105,637
495,821	-	-	16,045	34,231,188	35,341,442
-	-	25,024,944	-	-	29,262,238
594,959	-	25,024,944	16,045	34,231,188	64,709,317
$ 1,112,724	$ 651,822	$ 25,305,828	$ 16,045	$ 34,231,188	$ 66,608,478

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Charter School Fund	Adult Education Fund	Child Development Fund
REVENUES			
Local control funding formula	$ 2,772,024	$ -	$ -
Federal sources	-	544,974	-
Other State sources	269,912	3,904	825,575
Other local sources	12,493	3,961,226	453,067
Total Revenues	3,054,429	4,510,104	1,278,642
EXPENDITURES			
Current			
Instruction	2,303,279	2,707,453	711,733
Instruction-related activities			
Supervision of instruction	54,883	58,709	506,295
Instructional library, media and technology	68,208	139,291	-
School site administration	387,687	1,235,591	-
Pupil services			
Food services	-	-	-
All other pupil services	1,266	-	-
Administration			
Data processing	21,805	-	-
All other administration	109,516	232,520	67,084
Plant services	36,204	331,962	2,594
Facility acquisition and construction	83,772	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,066,620	4,705,526	1,287,706
Excess (Deficiency) of Revenues Over Expenditures	(12,191)	(195,422)	(9,064)
Other Financing Sources (Uses)			
Transfers in	-	-	36,102
Net Financing Sources (Uses)	-	-	36,102
NET CHANGE IN FUND BALANCES	(12,191)	(195,422)	27,038
Fund Balance - Beginning	1,293,753	3,441,438	287,565
Fund Balance - Ending	$ 1,281,562	$ 3,246,016	$ 314,603

See accompanying note to supplementary information.

Cafeteria Fund	Special Ed Pass Through Fund	Capital Facilities Fund	State School Building Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 2,772,024
2,285,230	3,366,378	-	-	-	6,196,582
158,373	8,790,578	-	-	213,976	10,262,318
2,798,137	-	19,608,836	130	36,957,038	63,790,927
5,241,740	12,156,956	19,608,836	130	37,171,014	83,021,851
-	-	-	-	-	5,722,465
-	-	-	-	-	619,887
-	-	-	-	-	207,499
-	-	-	-	-	1,623,278
6,553,983	-	-	-	-	6,553,983
-	-	-	-	-	1,266
-	-	-	-	-	21,805
319,087	12,156,956	1,327,600	-	-	14,212,763
36,062	-	995,288	20	-	1,402,130
-	-	3,942,941	-	-	4,026,713
-	-	965,000	-	22,795,000	23,760,000
-	-	2,218,084	-	14,788,319	17,006,403
6,909,132	12,156,956	9,448,913	20	37,583,319	75,158,192
(1,667,392)	-	10,159,923	110	(412,305)	7,863,659
2,011,671	-	-	-	-	2,047,773
2,011,671	-	-	-	-	2,047,773
344,279	-	10,159,923	110	(412,305)	9,911,432
250,680	-	14,865,021	15,935	34,643,493	54,797,885
$ 594,959	$ -	$ 25,024,944	$ 16,045	$ 34,231,188	$ 64,709,317

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Change in Fund Balances		$ 18,010,102
Grants that were received in the prior year and have been spent in the current year.		
Title I, Basic Grants Low-Income and Neglected	84.010	1,398,853
Title II, Part A, Teacher Quality	84.367	83,296
Title III, Immigrant Education Program	84.365	100,000
Title III, Immigrant Education Program	84.365	66,302
Medi-Cal Billing	9.778	197,047
Commodities are not recorded on the financial statement.	10.555	279,862
Total Schedule of Expenditures of Federal Awards		$ 20,135,462

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which 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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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*

Governing Board
Fremont Unified School District
Fremont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Fremont Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont Unified School Districts financial statements are free from 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*.

We noted certain matters that we reported to management of Fremont Unified School District in a separate letter dated December 15, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Fremont Unified School District
Fremont, California

Report on Compliance for Each Major Federal Program

We have audited Fremont Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont Unified School District's (the District) major Federal programs for the year ended June 30, 2017. Fremont 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.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Fremont Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Fremont Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fremont Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of Fremont Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Fremont Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Fremont Unified School District
Fremont, California

Report on State Compliance

We have audited Fremont Unified School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Fremont Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Fremont Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Fremont Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Fremont Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Fremont Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Not Applicable
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The Charter School did not have any classroom based ADA; therefore, we did not perform any procedures for Determination of Funding for Annual Instructional Minutes Classroom Based Instruction and did not have a Facility grant.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FREMONT UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with of Uniform Guidance, Section .510(a)	No
Identification of major federal pro	

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FREMONT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FREMONT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

Finding 2016-001 CALPADS Unduplicated Pupil Counts (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil in more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).

Divided by total enrollment in the LEA (EC sections 2574(b)(1)(B) and 42238.02(b)(5). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the English Learner (EL and Free and reduced Price meals (FRPM) eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted 14 students who were classified as FRPM eligible but did not have an application or income eligibility form on file to support the designation, and one student who was classified as EL, but did not have evidence to support the designation.

Questioned Cost:
District $3,778. This amount was calculated by adjusting the LCFF calculation for the noted exceptions related to the District.

Circle of Independent Learning $68. This amount was calculated by adjusting the LCFF calculation for noted exception related to the Charter.

Cause: CALPADS reports were not updated in a timely manner to correct student changes in the 2015-16 year.

Effect: The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the changes.

School Site:	CALPADS Reported	FRPM	EL	Adjusted
Brookvale Elementary	242	(1)	-	241
Mission San Jose Elementary	136	-	(1)	135
O.N. Hirsch Elementary	240	(2)	-	238
Patterson Elementary	305	(1)	-	304
G.M. Walters Junior High	397	(3)	-	394
Washington High	605	(6)	-	599
Aggregate of remaining schools	8,822	-	-	8,822
District-wide	10,747	(13)	(1)	10,733

The enrollment count of 34,546 was not impacted as a result of the procedures performed.

Recommendation: We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.

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

Status: Implemented

Governing Board
Fremont Unified School District
Fremont, California

In planning and performing our audit of the financial statements of Fremont Unified School District for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2017 on the financial statements of the District.

Comment
We noted the work in process amounts in the Form Asset included projects that had been previously completed. This difference was discussed with management and has been adjusted in the 2016-17 audit report.

Recommendation
We recommend the District update the work in process detail schedules, and include an adjustment in the 2017-18 Form Asset to reflect the ending balance of projects currently in process.

Comment
Associated Student Body (ASB) funds are subject to greater risk of loss due to the nature of the transactions to the decentralized structure of the accounting process.

- Bank reconciliations were not performed timely, did not contain evidence of a review by a secondary individual, and/or included stale dated checks.
- Evidence of approval of purchase prior to commitment to purchase items through student council minutes or by approval on purchase requisition forms was not available.
- Revenue potential forms to compare budget to actual and assess financial success of event not prepared.
- Foodie club at one high school continues to have activity, however per inquiry this is no longer classified as an ASB club.
- Tracking of tickets sold could be improved in some instances. Noting beginning and ending tickets used for a particular event assists in completing revenue potentials and identifying amount of funds expected to have been received from an event.

Recommendation
We recommend that management continue to focus on strong segregation of duties and review and monitoring of ASB activity to confirm that established procedures are followed and transactions verified. The recent Board approved reorganization of the Accounting Department in relation to an Account Clerk 3 responsible for overseeing some of the functions of the ASB funds may allow for increased separation of duties, and improved oversight of the ASB processes.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017