

**FRESNO UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2002





FRESNO UNIFIED SCHOOL DISTRICT

OF FRESNO COUNTY

FRESNO, CALIFORNIA

JUNE 30, 2002

GOVERNING BOARD

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Sara Hedgpeth-Harris	Member	2002
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Marge Sittner	Administrator, State and Federal
Malati Gopal	Executive Director, Research, Evaluation and Assessment
Jill Marmolejo	Public Relations Officer

ORGANIZATION

The Fresno Unified School District was organized July 1, 1948, following annexation of the Calwa District to the Fresno City District. The District currently operates sixty-three elementary, eighteen middle and eight comprehensive high schools, three alternative high schools, one independent study center, three community day schools. In addition, adult school classes are conducted throughout the District and an opportunity school and vocational training school are maintained. With over 10,000 full-time and part-time employees and ninety schools, Fresno Unified School District is the fourth largest public school district in the State of California.

FRESNO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fresno Unified School District
Fresno, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fresno Unified School District, as of June 30, 2002, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2002, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 34 for the year ended June 30, 2002. This results in a change to the format and content of the basic financial statements.

The required supplementary information, such as management's discussion and analysis and budgetary comparison information on page 3 through 11, are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Vaurinek, Irine, Day & Co., LLP

Fresno, California
October 25, 2002



FRESNO UNIFIED SCHOOL DISTRICT

Education Center . 2309 Tulare Street
Fresno, California 93721-2287 . (559) 457-3000

BOARD OF EDUCATION

Michael E. O'Hare, President
Manuel G. Nunez, Clerk
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Sara Hedgpeth-Harris
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David D. Wright

SUPERINTENDENT

Santiago V. Wood, Ed.D.

As management of the Fresno Unified School District, Fresno, Fresno County, California (the District), we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2002.

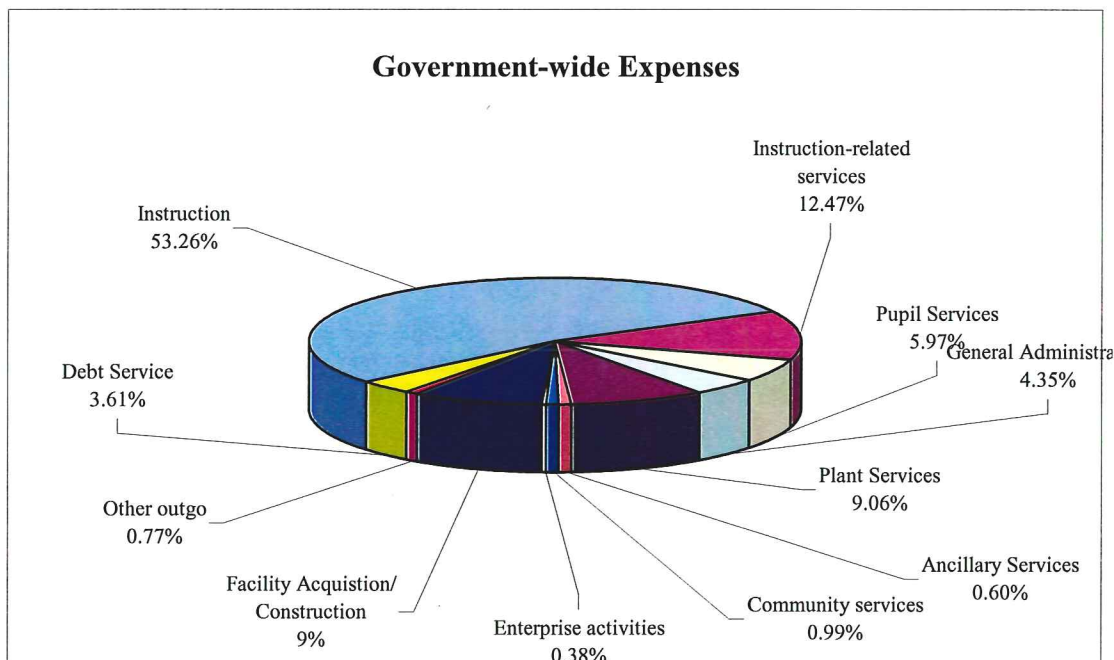
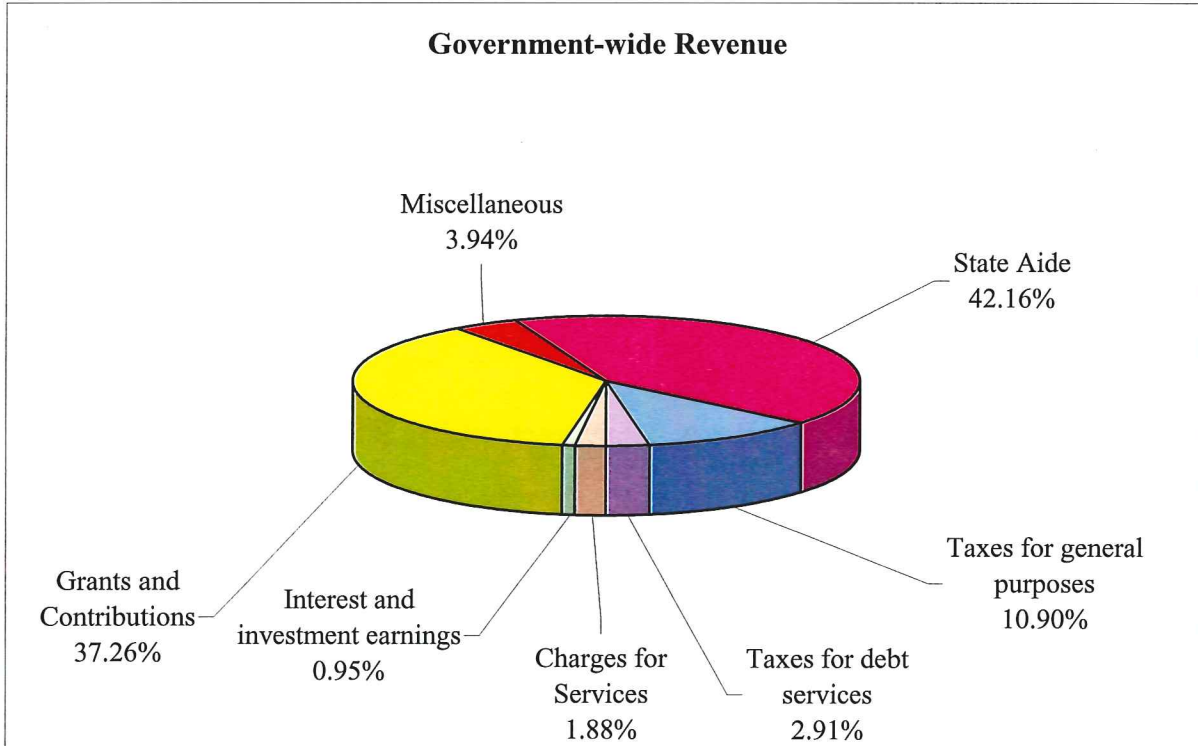
FINANCIAL HIGHLIGHTS

- The primary government has government-wide net assets totaling \$86 million at the end of the current fiscal year.
- Business-type activities have restricted net assets surplus of \$23 million.
- The total net assets of the District decreased by \$82 million during fiscal year 2002. This decrease was a result of several factors. First, fiscal year 2002 is the first year of District's implementation of GASB 34. Specifically, the District recognized a total of \$232 million of capital assets; however, it also recognized \$314 million on its long-term debt.
- Fund balance of the District's governmental funds increased by \$9 million resulting in an ending fund balance of \$126 million. The majority of the increase is a result of the District's effort to monitor its cost and maximize revenue opportunities from federal, state, and local sources. Also, the additional funds available from the Measure "A" and Measure "K" issuances contribute to the increase in the District's governmental funds.
- At the end of the current fiscal year, the fund surplus in the District's general fund increased by \$8 million. The District's efforts to contain costs, maximum utilization of restricted resources, and no wage increases are key factors.
- The District's long-term obligations increased by \$93 million to \$314 million as a result of additional bond issues of Measure A Series F and G, Measure K Series A and B and current year adjustments to the compensated absences balance.
- The District's financial position was maintained during fiscal 2002 as reflected by Standard and Poor's notice dated February 1, 2002, with a rating of A+. This maintaining of the credit rating is a result of the District's implementation of the \$25 million in reductions in 2002.

FRESNO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002



FRESNO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is normally provided in this document. Since this is the first presentation of management's discussion and analysis, no comparison data is provided. The basic financial statements are comprised of three components: 1.) Government- wide financial statements, 2.) Fund financial statements, and 3.) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

The government-wide financial statements consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues and business-type activities that are intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the general fund, debt service, capital projects funds, special revenue funds and the internal services funds. Business-type activities include the food service fund.

The government-wide financial statements also include information on component units that are legally separate from the District (known as the primary government). At the close of the current fiscal year, the District has included information for one component unit, The Fresno Unified Facilities Corporation.

The District's Finance Corporation's only activity is to act as a conduit for the transfer of funds relating to the issuance and refunding of certificates of participation. The Corporation has no assets or liabilities at June 30, 2002, and therefore has no financial impact on the District. Financial information for the Charter Schools was removed from the government wide financial statements. The District serves as the financial reporting entity to the State for the Charter Schools.

Fund Financial statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include two of the three possible fund types. The fund types presented here are governmental funds and proprietary funds.

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

FRESNO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002

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

The District maintains 11 different governmental funds. The major funds are the general fund and the building fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled other governmental funds. Individual fund information for the non-major funds is presented as other supplemental information elsewhere in this document.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplemental information.

The District maintains two types of proprietary funds. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The fund financial statements of the enterprise fund provide the same information as the government-wide financial statements only in more detail. Internal service funds are used to accumulate and allocate costs internally among the governmental functions.

The enterprise fund is the Cafeteria Fund and is considered to be a major fund. Individual internal service fund information is presented as other supplemental information elsewhere in this document. The District's internal service funds are the property and liability fund, workers' compensation fund, health benefits fund, and the defined benefits fund.

Notes to the Basic Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Net Assets

The assets of the District are classified as follows: Cash, investments, receivables, due from other funds, stores and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of State revenue limit and property tax funds.

Capital assets are used in the operations of the District. These assets are land, buildings, improvement of sites and equipment. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, other current liabilities, due to other funds, current loans, and deferred revenue. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal 2002. Long-term liabilities such as bonds

FRESNO UNIFIED SCHOOL DISTRICT

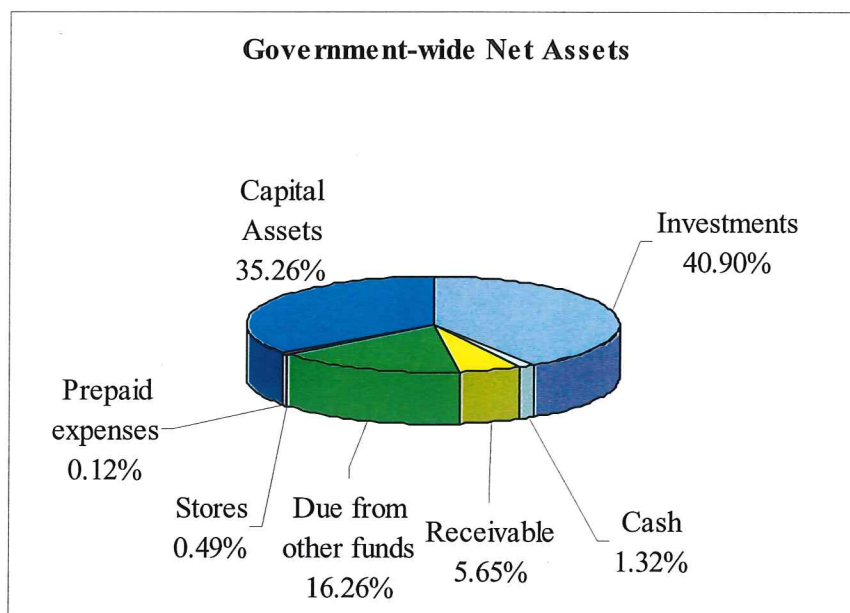
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002

payable, COPs, and compensated absences will be liquidated from resources that will become available after fiscal 2003.

The assets of the primary government activities exceed liabilities by \$63 million. Total net assets of the primary government do not include internal balances. Internal balances are interfund payables and receivables within the governmental activities. The amounts reported in the accounts should be eliminated to avoid the "gross up" effect on the assets and liabilities.

A net investment of \$371 million in land, improvement of sites, buildings, and equipment to provide the services to the District's 80,000 public school students represents 57% of the District's net assets. The chart below presents a percentage illustration of the District's government assets.



Governmental activities –Capital Project Funds for the District provide the same type of information presented in the government -wide financial statements, but in greater detail. The following highlights significant activity in the District's building funds for fiscal year 2002.

- The Building Fund increased net assets by \$4.3 million. Actual ending balance of the fund was 2% less than the projection. This fund is operating as anticipated.
- The State School Building Fund ended with a zero balance. As noted in the footnotes to the financial statements, remaining funds of \$847,636 and \$108,206 were transferred to the Special Reserve Fund and Tax Override fund respectively. The funds were due to interest earned on State pre-funded projects and closure of the Kisling Project.
- The Building Funds administer major projects including parking lot expansion at Addams of \$200,000, auto pull in and parking lot at Easterby of \$400,000, and an all weather track at Roosevelt High at a cost of \$500,000.

FRESNO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002

The District's Business-type activities increased net assets by \$2.3 million. Business-type activities account for 3.6% of the District's net assets. Key elements that highlight the activities in fiscal year 2002 are as follows.

- The Cafeteria Fund reported an increase in net assets of 11%. This fund is operating as anticipated.
- The Cafeteria Fund provides over 19,000 breakfasts and 45,000 meals and 2,000 snacks a day. Seventy-five percent of the student population qualified for free or reduced price meals. Meals are served at 107 locations, utilizing 570 full and part-time employees. The meals served have remained constant enabling the program to operate on the federal and state reimbursement revenue as well as savings earned through cost containment strategies. Nevertheless, salary and benefit cost increases are rising at a greater rate than the reimbursement rate.

Financial Analysis of the District's Governmental Funds

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

The general fund is the chief operating fund of the District. Student enrollment increased by 2,049 students during the fiscal year according to the October 2001 CBEDS data. The average daily attendance increased 1,715 amount. This increase amounts to approximately \$8 million.

The bond redemption debt service fund has adequate resources accumulated to make the principal and interest payments.

The Tax Override Fund was supplemented with revenue from the Special Reserve fund to assist in paying the principal and interest payments.

General Fund Budgetary Highlights

The General Fund budget is composed of the unrestricted and restricted fund budget. Restricted funds are grants or entitlements that have specified rules on how the funds can be spent. Unrestricted funds made be used as determined by the Board. Education Code 41011 requires unified districts to spent at least 55% towards classroom compensation. In 2001-02, Fresno Unified spent 62.44% towards classroom compensation.

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

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

The District is also required to project how they will end the year at three different intervals (January, March and June). The last projection in June, estimated the general fund ending balance to \$28.5 million. The actual ending balance was \$33.3. The main differences are due to some restricted resources being defined as entitlements instead of grants. Entitlements require the District to recognize the funds in the year received. Grants require the District to recognize the funds in the year the funds are spent.

The District as a general rule requires restricted budgets to stay within their allocation. The only exceptions are Special Education and Transportation. Due to this understanding the only differences from projections were the contributions from the unrestricted general fund to these programs.

FRESNO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002

The estimated unrestricted ending balance would be \$22.6 million. The actual ending balance was \$20.9 million. Some of the main differences were due to:

- Higher health and workers compensation costs than projected \$2.7 million. The total increase over adopted budget was \$6.4 million.
- Local revenue higher than estimated.
- Setting up a liability for the District's last salary offer of 1% off the salary schedule that totaled \$3.3 million.
- Higher utilities costs and legal costs than projected.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2002 was \$234 million (net of accumulated depreciation). Capital assets include land, buildings, improvement of sites, equipment, and work in progress. Capital assets decreased by 3% in business-type activities. No capital asset information is available for the prior year's governmental activities; therefore, no comparative analysis was performed.

Major capital events during the year include the following:

- Hoover Events Center was completed in the amount of \$4,403,600
- At Edison High School, a new amphitheatre was completed at a cost of \$753,000.
- At Chavez Adult School, a new parking lot costing \$350,000 was completed

Additional information on the District's capital assets can be found in note 5 of this report.

At June 30, 2002, the District had total bonded debt outstanding of \$211 million backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases and certificates of participation in the amount of \$96 million still outstanding at the end of the current fiscal year.

Total long-term debt for the District decreased during the current fiscal year according to the normal schedule of payments. No refinancing of existing debt occurred and four new bonds series were issued.

The District maintained an "A+" rating from Standards and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$103 million less than the maximum amount.

Additional information on the District's long-term obligations can be found in notes 9 and 11.

Economic Factors and Next Year's Budgets and Rates

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. Since most of our revenue comes from the State, we carefully derive assumptions from the Governor's priorities and calculate funding levels based upon our enrollment projections. It was determined that the General Fund unrestricted budget needed a \$5 million adjustment in order to balance and maintain the required 2% reserve. A list of reductions, prioritized by District, parent and community members, was presented to the Board for approval on February 27, 2002. The Board approved the reductions with no cost-of-living increase at that time.

FRESNO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2002

The main State assumptions included a 2% increase in the revenue limit, elimination of equalization aid, PERS Reduction buyout and Mega-Item Block grant. Some of the main local assumptions included an increase in the health costs of 13%, implementation of the \$5 million in adjustments, inclusion of step/column for employees, and the assumption that all K-3 CSR classes would meet the required state average.

The adopted budget multi-year projections estimate the District will need to make \$11.5 million in ongoing reductions in 2003-04. With the employee salary settlement of November 2002, this amount will increase if ongoing reductions are not made in 2002-03.

FRESNO UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2002**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,721,489	\$ 1,328	\$ 8,722,817
Investments	251,510,949	19,071,222	270,582,171
Receivables	33,560,502	3,844,543	37,405,045
Due from other funds	1,564,420	12,587	1,577,007
Prepaid expenses	810,537	10,000	820,537
Stores inventories	2,278,129	975,705	3,253,834
Capital assets	367,289,844	3,477,470	370,767,314
Less: accumulated depreciation	(135,006,844)	(2,480,345)	(137,487,189)
Total Assets	\$ 530,729,026	\$ 24,912,510	\$ 555,641,536
LIABILITIES			
Accounts payable	120,793,341	392,530	121,185,871
Due to other funds	12,587	1,564,420	1,577,007
Deferred revenue	32,945,950	-	32,945,950
Current portion of long-term obligations	15,713,800	-	15,713,800
Noncurrent portion of long-term obligations	298,362,895	-	298,362,895
Total Liabilities	467,828,573	1,956,950	469,785,523
NET ASSETS			
Invested in capital assets, net of related debt	1,215,641	997,125	2,212,766
Restricted for:			
Debt service	25,371,846	-	25,371,846
Capital projects	72,000,151	-	72,000,151
Educational programs	8,061,228	-	8,061,228
Other activities	3,444,849	21,958,435	25,403,284
Unrestricted	(47,193,264)	-	(47,193,264)
Total Net Assets	\$ 62,900,451	\$ 22,955,560	\$ 85,856,011

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

FRESNO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 354,854,298	\$ 1,838,303	\$ 138,049,314
Instruction related activities:			
Supervision of instruction	35,266,430	-	30,069,713
Instructional library, media, and technology	11,694,895	-	3,729,898
School site administration	36,099,745	-	3,459,452
Pupil services:			
Home-to-school transportation	10,900,875	930,209	3,697,266
Food services	346,003	-	321,059
All other pupil services	28,535,011	1,757,332	15,231,483
General administration:			
Data processing	3,767,509	-	7,640
All other general administration	25,207,721	-	11,032,698
Plant services	60,377,301	1,261,598	5,416,746
Facility acquisition and construction	56,930,573	21,517	885,298
Ancillary services	3,967,269	-	663,318
Community services	6,598,212	-	5,044,692
Enterprise services	2,530,587	-	476,527
Interest on long-term debt	12,610,554	-	206,711
Other outgo	5,127,078	3,360,638	2,269,567
Total Governmental Activities	654,814,061	9,169,597	220,561,382
Business-Type Activities			
Food services	24,384,611	3,132,173	23,578,782
Total School District	\$ 679,198,672	\$ 12,301,770	\$ 244,140,164

General revenues and subventions
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Federal and State aid not restricted to specific purposes
 Interest and investment earnings
 Miscellaneous

Subtotal, General Revenues

**Excess (Deficiency) of Revenues Over Expenses
Before Transfers**

Transfers

Total General Revenues and Transfers

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business- Type Activities	Total
\$ (214,966,681)	\$ -	\$ (214,966,681)
(5,196,717)	-	(5,196,717)
(7,964,997)	-	(7,964,997)
(32,640,293)	-	(32,640,293)
(6,273,400)	-	(6,273,400)
(24,944)	-	(24,944)
(11,546,196)	-	(11,546,196)
(3,759,869)	-	(3,759,869)
(14,175,023)	-	(14,175,023)
(53,698,957)	-	(53,698,957)
(56,023,758)	-	(56,023,758)
(3,303,951)	-	(3,303,951)
(1,553,520)	-	(1,553,520)
(2,054,060)	-	(2,054,060)
(12,403,843)	-	(12,403,843)
503,127	-	503,127
<u>(425,083,082)</u>	<u>-</u>	<u>(425,083,082)</u>
	2,326,344	2,326,344
<u>(425,083,082)</u>	<u>2,326,344</u>	<u>(422,756,738)</u>
71,411,883	-	71,411,883
19,067,877	-	19,067,877
276,196,430	-	276,196,430
6,200,860	-	6,200,860
25,820,277	-	25,820,277
<u>398,697,327</u>	<u>-</u>	<u>398,697,327</u>
(26,385,755)	2,326,344	(24,059,411)
1,354,288	-	-
(25,031,467)	2,326,344	(24,059,411)
87,931,918	-	87,931,918
<u>\$ 62,900,451</u>	<u>\$ 2,326,344</u>	<u>\$ 63,872,507</u>

FRESNO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2002**

	General Fund	Building Fund	Other Funds	Total Governmental Fund
ASSETS				
Cash and cash equivalents	\$ 100,180	\$ -	\$ 24,122	\$ 124,302
Investments	99,268,804	44,347,425	96,208,425	239,824,654
Receivables	31,105,337	381,069	1,960,867	33,447,273
Due from other funds	94,783,416	765,857	5,067,493	100,616,766
Prepaid expenses	40,660	-	-	40,660
Stores inventories	2,199,095	-	79,034	2,278,129
Equipment - net of depreciation	-	-	-	-
Other current assets	-	-	-	-
Total Assets	\$ 227,497,492	\$ 45,494,351	\$ 103,339,941	\$ 376,331,784
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Overdrafts	-	-	-	-
Accounts payable	92,116,965	850,341	5,912,510	98,879,816
Due to other funds	92,011,590	687,576	11,004,969	103,704,135
Due to other governments	-	-	-	-
Other current liabilities	-	-	-	-
Deferred revenue	10,056,432	-	22,889,518	32,945,950
Long-term liabilities	-	-	-	-
Total Liabilities	194,184,987	1,537,917	39,806,997	235,529,901
FUND BALANCES				
Reserved for:				
Stores inventories	2,199,095	-	79,034	2,278,129
Other reservations	12,518,879	-	-	12,518,879
Unreserved:				
Designated	13,916,526	-	-	13,916,526
Undesignated, reported in:				
General fund	4,678,003	-	-	4,678,003
Special revenue funds	-	-	10,038,340	10,038,340
Debt service funds	-	-	25,371,848	25,371,848
Capital projects funds	-	43,956,434	28,043,719	72,000,153
Total Fund Balances	33,312,503	43,956,434	63,532,941	140,801,878
Total Liabilities and Fund Balances	\$ 227,497,490	\$ 45,494,351	\$ 103,339,938	\$ 376,331,779

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

FRESNO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

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

JUNE 30, 2002

**Amounts Reported for Governmental Activities in the Statement of Net
Assets are Different Because:**

Total Fund Balance - Governmental Funds		\$ 140,801,879
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	\$ 367,289,844	
Accumulated depreciation is	<u>(135,006,844)</u>	232,283,000
The assets and liabilities of the internal service fund are included with governmental activities.		3,892,265
Long-term liabilities at year end consist of:		
Bonds payable	207,763,742	
Certificates of participation	92,675,000	
Capital leases payable	2,992,812	
Lease revenue bonds	3,383,958	
Compensated absences (vacations)	1,062,980	
Liability for workers' compensation	<u>6,198,203</u>	<u>(314,076,695)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 62,900,449</u></u>

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

FRESNO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2002

	General Fund	Building Fund	Other Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 356,649,872	\$ -	\$ 10,026,318	\$ 366,676,190
Federal sources	61,578,364	-	1,430,605	63,008,969
Other state sources	139,013,807	-	18,103,478	157,117,285
Other local sources	15,135,906	1,073,120	24,967,660	41,176,686
Total Revenues	<u>572,377,949</u>	<u>1,073,120</u>	<u>54,528,061</u>	<u>627,979,130</u>
EXPENDITURES				
Current				
Instruction	347,837,063	-	7,017,235	354,854,298
Instruction related activities:				
Supervision of instruction	34,527,899	-	738,531	35,266,430
Instructional library, media, and technology	11,678,635	-	16,260	11,694,895
School site administration	33,923,942	-	2,175,803	36,099,745
Pupil services:				
Home-to school transportation	10,900,875	-	-	10,900,875
Food services	32,171	-	313,832	346,003
All other pupil services	28,473,042	-	61,969	28,535,011
General administration:				
Data processing	3,767,509	-	-	3,767,509
All other general administration	24,328,227	-	879,494	25,207,721
Plant services	55,372,472	665,129	4,339,700	60,377,301
Facility acquisition and construction	2,224,219	19,013,200	35,693,154	56,930,573
Ancillary services	3,967,269	-	-	3,967,269
Community services	3,385,387	-	3,212,825	6,598,212
Other outgo	5,127,078	-	-	5,127,078
Enterprise services	2,016,956	-	513,631	2,530,587
Debt service				
Principal	432,305	-	10,976,633	11,408,938
Interest and other	529,916	950	12,079,688	12,610,554
Total Expenditures	<u>568,524,965</u>	<u>19,679,279</u>	<u>78,018,755</u>	<u>666,222,999</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>3,852,984</u>	<u>(18,606,159)</u>	<u>(23,490,694)</u>	<u>(38,243,869)</u>
Other Financing Sources (Uses):				
Transfers in	9,188,438	2,549,221	11,044,838	22,782,497
Other sources	-	59,804,863	449,178	60,254,041
Transfers out	(4,354,771)	(8,561,474)	(8,511,964)	(21,428,209)
Net Financing Sources (Uses)	<u>4,833,667</u>	<u>53,792,610</u>	<u>2,982,052</u>	<u>61,608,329</u>
NET CHANGE IN FUND BALANCES	8,686,651	35,186,451	(20,508,642)	23,364,460
Fund Balance - Beginning	24,625,852	8,769,983	84,041,584	117,437,419
Fund Balance - Ending	<u>\$ 33,312,503</u>	<u>\$ 43,956,434</u>	<u>\$ 63,532,942</u>	<u>\$ 140,801,879</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2002

Total Net Change in Fund Balances - Governmental Funds	\$ 23,364,460
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Proceeds received from Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(59,804,863)
Repayment of COP's principle is an expenditure in the governmental funds, but it should be recorded as prepaid expense and amortized on the statement of net assets.	6,809,000
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	3,830,000
Repayment of other debt principle expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	769,936
Change in Net Assets of Governmental Activities	<u>\$ (25,031,467)</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002**

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,328	\$ 8,597,187
Investments	19,071,222	11,686,295
Receivables	3,844,543	113,229
Prepaid expenditures	10,000	769,877
Due from other funds	12,587	6,450,563
Stores inventories	975,705	-
Total Current Assets	23,915,385	27,617,151
Noncurrent Assets		
Furniture and equipment (net)	997,125	-
Total Assets	24,912,510	27,617,151
LIABILITIES		
Current Liabilities		
Accounts payable	392,530	21,913,525
Due to other funds	1,564,420	1,811,361
Total Current Liabilities	1,956,950	23,724,886
NET ASSETS		
Invested in capital assets, net of related debt	997,125	-
Restricted	21,958,435	3,892,265
Total Net Assets	\$ 22,955,560	\$ 3,892,265

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

FRESNO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Local and intermediate sources	\$ 3,132,173	\$ 81,863,572
Total Operating Revenues	3,132,173	81,863,572
OPERATING EXPENSES		
Payroll costs	11,317,025	840,574
Professional and contract services	-	81,350,670
Supplies and materials	10,904,952	25,295
Facility rental	280,650	-
Other operating cost	1,881,983	1,464,724
Total Operating Expenses	24,384,610	83,681,263
Operating Income (Loss)	(21,252,437)	(1,817,691)
NONOPERATING REVENUES (EXPENSES)		
Interest income	652,605	341,338
Grants	22,926,176	-
Total Nonoperating Revenues (Expenses)	23,578,781	341,338
Income (Loss) Before Capital Contributions	2,326,344	(1,476,353)
Change in net assets	2,326,344	(1,476,353)
Total Net Assets - Beginning	20,629,217	5,368,618
Total Net Assets - Ending	\$ 22,955,561	\$ 3,892,265

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

FRESNO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

	Business-Type Activities Enterprise Fund	Governmental Activities - Internal Service Fund
	Food Services	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 2,736,088	\$ 80,771,113
Cash received from assessments made to other funds	-	-
Cash payments to employees for services	(11,317,025)	(840,574)
Cash payments for insurance claims	-	(81,350,670)
Cash payments to suppliers for goods and services	(11,953,025)	(25,295)
Cash payments for facility use	(958,401)	-
Cash payments for other operating expenses	-	(1,464,724)
Net Cash Provided (Used) for Operating Activities	(21,492,363)	(2,910,150)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	22,926,576	-
Net Cash Provided (Used) from Noncapital Financing Activities	22,926,576	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of equipment	22,747	-
Capital contributions	-	-
Acquisition of capital assets	(156,159)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(133,412)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,953,006)	3,028,896
Interest on investments	652,605	341,338
Net Cash Provided (Used) from Investing Activities	(1,300,401)	3,370,234
Net increase in cash and cash equivalents	-	460,084
Cash and cash equivalents - Beginning	1,328	8,137,103
Cash and cash equivalents - Ending	\$ 1,328	\$ 8,597,187

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

FRESNO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:**

Operating income (loss)	(21,252,437)	(1,817,691)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	214,251	-
Changes in assets and liabilities:		
Receivables	(87,905)	133,604
Due from other fund	35,155	(3,394,354)
Inventories	661,772	-
Accrued liabilities	(525,955)	3,452,788
Due to other fund	(514,497)	(1,162,061)
Prepaid expenditures	-	(122,436)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (21,469,616)</u>	<u>\$ (2,910,150)</u>
Acquisition of Capital Assets	(156,159)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	22,926,176	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	652,605	341,338
Purchase of investments	(1,953,006)	3,028,896
NET CASH PROVIDED/(USED) FOR INVESTING ACTIVITIES	<u>(1,300,401)</u>	<u>3,370,234</u>
Net increase in cash	-	460,084
Cash July 1, 2001	1,328	8,137,103
Cash June 30, 2002	<u>\$ 1,328</u>	<u>\$ 8,597,187</u>

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

FRESNO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 2,015,386
Inventory	21,118
Total Assets	<u><u>\$ 2,036,504</u></u>
 LIABILITIES	
Due to student groups	<u>671,713</u>
Total Liabilities	<u>671,713</u>
 NET ASSETS	
Reserved for scholarships	<u>1,364,791</u>
Total Net Assets	<u><u>\$ 1,364,791</u></u>

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

FRESNO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002**

	Trust
ADDITIONS	
Donations	\$ 5,902,582
Interest	9,204
Total Additions	<u>5,911,786</u>
DEDUCTIONS	
Expenditures	<u>5,700,218</u>
Total Deductions	<u>5,700,218</u>
Change in Net Assets	211,568
Net Assets - Beginning	<u>1,153,223</u>
Net Assets - Ending	<u><u>\$ 1,364,791</u></u>

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Fresno Unified School District was organized on July 1, 1948 under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates sixty-three elementary, eighteen middle, eight comprehensive high schools, three alternative high schools, one independent study center, and three community day schools. In addition, adult school classes are conducted throughout the District and an opportunity school and vocational training school are maintained.

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 Fresno Unified School District, this includes general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements 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 benefit of the District.

The Fresno Unified Facilities Corporation's financial activity is presented in the financial statements as the Facilities Corporation Capital Projects Fund and the COP/CFD - Debt Service Fund. Certificates of participation issued by the Corporation are included in the General Long-Term Debt. Individually-prepared financial statements are not prepared for Fresno Unified Facilities Corporation.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Codification Section 2100 criteria.

Manifestations of Oversight

- The Corporation's Board of Directors were appointed by the District's Board of Education.
- The Corporation has no employees. The District's superintendent and chief financial officer function as agents of the Corporation. Neither individual receives additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be sole lessee of all facilities owned by the Corporation.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

Accountability for Fiscal Matters

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

Scope of Public Service

- The Corporation was created for the sole purpose of financially assisting the District.
- The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on March 23, 1978. The Corporation was formed to provide financing assistance to the District by financing and constructing public school building and facilities for the District. Upon completion, the District intends to occupy all Corporation facilities under lease-purchase agreements effective through the year 2011. At the end of the lease term, title of all Corporation property will pass to the District for no additional consideration.
- The Corporation's financial activity is presented in the financial statements as the Corporation Building Fund and the Corporation Debt Service Fund. Certificates of Participation issued by the Corporation are included in the General Long-Term Debt.

C. 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:

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

Special Revenue Funds The Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

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

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Food Service operations of the District.

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates Self-Insurance programs that are accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is used for trust funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are Associated Student Body accounts.

D. 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 segment of the business-type activities of the District and 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. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

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

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

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

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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.

Under the modified accrual basis, 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.

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

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

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

E. 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.

F. Investments

Investments held at June 30, 2002, 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.

G. Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the debt service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the Certificate of Participation debt issuance.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

H. 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 when incurred.

I. Stores Inventory

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the 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.

J. 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 \$15,000. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

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, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

K. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

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

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

N. Fund Balance Reserves and Designations

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

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

O. Net Assets

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

P. 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 Cafeteria and Self-Insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

R. 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.

S. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

T. 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 Fresno bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2002, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

The District is also authorized 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.

B. Deposits

At year-end, the carrying amount of the District's deposits were \$8,721,489 for government activities, \$1,328 for business activities, and \$2,015,386 held in fiduciary funds. The bank balances totaled \$10,598,840. Of the bank balances, \$78,638 was covered by Federal deposit insurance and \$9,812,456 was covered by pooled and/or pledged collateral, but not necessarily held in the District's name (uncollateralized, risk Category 3).

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury and investments in the State Treasurer's Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county.

The investments at June 30, 2002, are as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Mutual funds	\$ 25,747,918	\$ 25,747,918
Deposits with county treasurer	232,715,891	233,132,220
U. S. Treasury Notes ¹	6,584,398	6,584,398
First American Treasury Obligations ¹	227,919	227,919
Federal Home Loan Mortgage Discount Notes ¹	5,306,045	5,306,045
	<u>\$ 270,582,171</u>	<u>\$ 270,998,500</u>

¹U.S. Government securities are not required to be categorized, since they are backed by the full credit of the United States Government.

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2002, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Major Fund	Nonmajor Governmental Funds	Internal Service Fund	Total
Federal Government					
Categorical aid	\$ 9,543,179	\$ -	\$ 626,479	\$ -	\$10,169,658
State Government					
Categorical aid	10,736,105	-	137,389	-	10,873,494
Lottery	6,109,943	-	-	-	6,109,943
Local Government					
Interest	608,272	275,602	557,376	113,229	1,554,479
Other Local Sources	4,107,838	105,467	639,623	-	4,852,928
Total	<u>\$31,105,337</u>	<u>\$381,069</u>	<u>\$ 1,960,867</u>	<u>\$113,229</u>	<u>\$33,560,502</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ -	\$ 31,473,556	\$ -	\$ 31,473,556
Capital Assets being depreciated				
Land improvements	-	19,632,176	-	19,632,176
Buildings and improvements	-	313,775,315	-	313,775,315
Furniture and equipment	-	2,408,797	-	2,408,797
Total Capital Assets Being Depreciated	-	335,816,288	-	335,816,288
Less Accumulated Depreciation				
Land improvements	-	11,108,155	-	11,108,155
Buildings and improvements	-	123,135,597	-	123,135,597
Furniture and equipment	-	763,092	-	763,092
Total Accumulated Depreciation	-	135,006,844	-	135,006,844
Governmental Activities Capital Assets, Net	\$ -	\$ 232,283,000	\$ -	\$ 232,283,000
Business-Type Activities				
Furniture and equipment	\$ 3,321,311	\$ 156,159	\$ -	\$ 3,477,470
Less Accumulated Depreciation	2,266,094	214,251	-	2,480,345
Business-Type Activities Capital Assets, Net	\$ 1,055,217	\$ (58,092)	\$ -	\$ 997,125

Assets consisting of building in the amount of \$313,775,315 have been pledged as collateral for the certificates of participation described in Note 9E.

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities		
Unallocated		135,006,844
Total Depreciation Expenses Governmental Activities		135,006,844
Business-Type Activities		
Cafeteria Enterprise		214,251
Total Depreciation Expenses All Activities		\$ 135,221,095

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 6 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts for temporary loans between funds. Interfund receivable and payable balances at June 30, 2002, between major and nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 94,783,416	\$ 92,011,589
Building	765,857	687,577
Nonmajor Governmental	5,067,492	11,004,969
Enterprise	12,587	1,564,420
Internal Service	6,956,533	2,317,330
Totals	<u>\$ 107,585,885</u>	<u>\$ 107,585,885</u>

B. Operating Transfers

Interfund transfers for the year ended June 30, 2002, consisted of the following:

Transfer To	Transfer From				Total
	General	Building	Nonmajor Governmental	Internal Service	
General	\$ -	\$ -	\$ 4,354,771	\$ -	\$ 4,354,771
Building	2,000,000	-	4,767,531	-	6,767,531
Nonmajor governmental	5,749,422	2,549,221	1,922,536	1,235,191	11,456,370
Internal service	1,439,016	-	-	25,708	1,464,724
Total	<u>\$ 9,188,438</u>	<u>\$ 2,549,221</u>	<u>\$ 11,044,838</u>	<u>\$ 1,260,899</u>	<u>\$ 24,043,396</u>

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

The General Fund transferred to the Child Development Fund to assist with program costs.	\$ 154,154
The General Fund transferred to the Deferred Maintenance Fund for the required State match.	2,384,235
The General Fund transferred to the COP/CFD Debt Service Fund for debt service payments.	1,816,382
The Building Fund transferred to the General Fund for restricted routine maintenance requirement.	2,000,000 ✓
The Capital Facilities Fund transferred to the General Fund to reimburse capital expenditures	31,535
The 1995 Measure A Fund transferred to the Special Reserve - Special Revenue Fund to close the fund.	181,047
The Series B Fund transferred to the Special Reserve - Special Revenue Fund to close the fund.	1,407,273
The Series C Fund transferred to the Special Reserve - Special Revenue Fund to close the fund.	1,194,715
The Series D Fund transferred to the Special Reserve - Special Revenue Fund to close the fund.	1,984,496
The BAN Fund transferred to the Special Reserve - Special Revenue Fund to close the fund.	1,793,940
The State School Building Fund transferred to the Special Reserve - Special Revenue Fund to record interest on State pre-funded projects.	847,636
The State School Building Fund transferred to the Tax Override Fund to close out the Kisling Project.	108,206
The Special Reserve - Special Revenue transferred to the General Fund unrestricted interest income used to restore the reserves for economic uncertainties.	5,717,887 ✓
The Special Reserve - Special Revenue transferred to the Workers' Compensation Fund to restore the balance of fund to the County Office's requirement.	84,729
The Health Fund transferred to the Workers' Compensation Fund to restore the balance of fund to the County Office's requirement.	25,709
The PARS Fund transferred to the Workers' Compensation Fund remaining PARS funds not needed in the PARS Fund.	1,150,462
The Property/Liability Fund transferred to the General Fund to restore the reserve for economic uncertainties.	1,439,015 ✓
The County School Facilities Fund transferred to the Building Fund to match Measure A funds.	1,721,975
Total	<u><u>\$24,043,396</u></u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2002, consisted of the following:

	General	Building Fund	Nonmajor Governmental	Internal Service	Total
Vendor payables	\$ 17,347,256	\$ 850,341	\$ 5,726,914	\$ -	\$ 23,924,511
State apportionment	11,545	-	-	-	11,545
Salaries and benefits	49,010,247	-	185,596	-	49,195,843
Other significant payables	-	-	-	21,913,525	21,913,525
TRANS	25,747,917	-	-	-	25,747,917
Total	<u>\$ 92,116,965</u>	<u>\$ 850,341</u>	<u>\$ 5,912,510</u>	<u>\$ 21,913,525</u>	<u>\$ 120,793,341</u>

NOTE 8 – DEFERRED REVENUE

Deferred revenue at June 30, 2002, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 4,350,768	\$ 21,558	\$ 4,372,326
State categorical aid	5,673,404	296,895	5,970,299
School facilities apportionment	-	22,568,919	22,568,919
Other local	32,260	2,146	34,406
Total	<u>\$ 10,056,432</u>	<u>\$ 22,889,518</u>	<u>\$ 32,945,950</u>

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 9 – LONG-TERM LIABILITIES

A. Long-Term Debt Summary

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

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002	Due in One Year
General obligation bonds	\$ 104,973,742	\$ 106,620,000	\$ 3,830,000	\$ 207,763,742	\$ 4,050,000
State school building loans	898	-	898	-	
Educational Facilities Corporation (COPs)	99,565,000	-	6,890,000	92,675,000	7,380,000
Accumulated vacation - net	961,973	101,007	-	1,062,980	744,086
Capital leases	4,824,458	-	1,831,646	2,992,812	1,925,754
Lease Revenue Bonds - 1998, Series A	3,691,591	-	307,633	3,383,958	307,633
Workers' compensation Liability for claims - Long-term portion (See Note #11)	7,504,530		1,306,327	6,198,203	1,306,327
Totals	\$ 221,522,192	\$ 106,721,007	\$ 14,166,504	\$ 314,076,695	\$ 15,713,800

B. Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Issue	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Defeased/ Redeemed	Bonds Outstanding End of Year
05/01/96	95B	08/01/2020	5.5-7.50%	\$ 32,000,000	\$ 11,025,000		\$ 300,000	\$ 10,725,000
02/10/98	98A	08/01/2013	4.8-6.15%	33,235,000	30,325,000		830,000	29,495,000
08/06/98	98B	08/01/2022	5.5-6.95%	26,998,742	24,903,742		850,000	24,053,742
10/01/99	99C	10/01/2023	4.5-5.125%	40,640,000	38,720,000		930,000	37,790,000
01/16/01	95E	08/01/2022	3.0-4.75%	46,820,000		\$ 46,820,000	920,000	45,900,000
07/12/01	95F	08/01/2026	5.0-5.25%	15,400,000		15,400,000		15,400,000
03/27/02	95G	08/01/2026	4.1-7.0%	15,400,000		15,400,000		15,400,000
07/12/01	01A	08/01/2026	5.0-5.25%	10,000,000		10,000,000		10,000,000
03/27/02	01B	08/01/2026	4.375-6.75%	19,000,000		19,000,000		19,000,000
					\$ 104,973,742	\$ 106,620,000	\$ 3,830,000	\$ 207,763,742

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

C. Debt Service Requirements to Maturity

The bonds mature through 2027 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2003	4,050,000	11,414,101	15,464,101
2004	4,540,000	10,886,517	15,426,517
2005	5,325,000	10,630,716	15,955,716
2006	5,650,000	10,337,663	15,987,663
2007	5,995,000	10,022,565	16,017,565
2008-2012	35,945,000	44,512,379	80,457,379
2013-2017	54,803,735	32,543,647	87,347,382
2018-2022	57,040,007	24,494,085	81,534,092
2023-2027	34,415,000	4,124,658	38,539,658
Total	<u>\$ 207,763,742</u>	<u>\$ 158,966,331</u>	<u>\$ 366,730,073</u>

D. State and Public School Building Loans

State school building loans outstanding as of June 30, 2002, are as follows:

<u>Year Disbursed</u>	<u>Interest Rate</u>	<u>Outstanding Beginning of Year</u>	<u>Interest Charge</u>	<u>Repayment and State Credit Current Year</u>	<u>Outstanding End of Year</u>
1980-81	4.9%	\$ 811		\$ 811	\$ -
1980-81	5.3%	87		87	-
		<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 898</u>	<u>\$ -</u>

The State and Public School Building Loans are secured by all sites purchased and improved, all equipment purchased, and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Section 16019 of the Education Code.

Annual repayment is determined by the State Controller in accordance with Section 16214 of the Education Code.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

E. Certificates of Participation

The District has issued Certificates of Participation (COP's) through the Fresno Unified School District Educational Facilities Corporation since 1979 as follows:

<u>Series</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Principal Paid/ Defeased-Current Year</u>	<u>Outstanding End of Year</u>
1992	1991-92	\$35,295,000	4.50 - 7.25%	\$ 1,605,000	\$ 12,285,000
1992A	1991-92	5,680,000	6.50 - 7.00%	65,000	870,000
1993A	1993-94	4,885,000	4.00 - 5.75%	450,000	1,500,000
1993B	1993-94	15,925,000	4.80 - 5.25%	850,000	11,405,000
1995A	1994-95	10,510,000	5.50 - 6.80%	500,000	8,560,000
1997	1997-98	20,840,000	4.00 - 5.00%	1,245,000	16,235,000
1998A	1997-98	51,930,000	4.00 - 4.75%	2,175,000	41,820,000
				<u>\$ 6,890,000</u>	<u>\$ 92,675,000</u>

The certificates mature through 2012 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 7,380,000	\$ 4,728,008	\$ 12,108,008
2004	8,420,000	4,346,023	12,766,023
2005	8,945,000	3,893,984	12,838,984
2006	8,920,000	3,412,451	12,332,451
2007	10,755,000	2,927,646	13,682,646
2008-2012	48,255,000	7,380,477	55,635,477
<u>Total</u>	<u>\$ 92,675,000</u>	<u>\$ 26,688,589</u>	<u>\$ 119,363,589</u>

F. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2002, amounted to \$1,062,980.

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

G. Capital Leases

The District has entered into various capital lease arrangements. The District's liability on lease agreements with options to purchase are summarized below:

Balance, Beginning of year	\$ 4,824,458
Payments	1,831,646
Balance, End of year	<u>\$ 2,992,812</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2003	\$ 2,058,073
2004	375,442
2005	361,128
2006	87,727
2007	74,093
2008-2010	<u>222,279</u>
Total	3,178,742
Less: Amount Representing Interest	185,930
Present Value of Minimum Lease Payments	<u>\$ 2,992,812</u>

H. 1998 Lease Revenue Bonds, Series A (Qualified Zone Academy Bonds) – Center for Advanced Research and Technology

The District entered into an agreement to issue \$12,000,000 in lease revenue bonds (Qualified Zone Academy Bonds) with Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology. The bonds do not bear interest. In lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual Federal income tax credit to the purchasers.

Lease payments will be made by both Districts for an equal (50 percent) share of the funds necessary to repay the principal of the bonds. The Fresno Unified School District's share of the principal amounts to \$6,000,000 with annual required lease payments totaling \$307,632.64 due each July 15 commencing July 15, 1999, and ending July 15, 2012. The lease payments are to be placed in a Guaranteed Investment Contract paying interest at 4.785 percent. Principal payments and earned interest are projected to be sufficient to retire the bonds principal balance by October 1, 2012. The lease payments outstanding at June 30, 2002, are \$3,383,958.

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Major Fund	Nonmajor Funds	Total
Reserved				
Revolving cash	\$ 100,100	\$ -	\$ -	\$ 100,100
Stores inventory	2,199,095	-	79,034	2,278,129
Prepaid expenditures	40,660	-	-	40,660
Restricted programs	12,378,119	-	-	12,378,119
Total Reserved	<u>14,717,974</u>	<u>-</u>	<u>79,034</u>	<u>14,797,008</u>
Unreserved				
Designated				
Economic uncertainties	11,450,181	-	-	11,450,181
Other designations	2,466,345	-	-	2,466,345
Total Designated	<u>13,916,526</u>	<u>-</u>	<u>-</u>	<u>13,916,526</u>
Undesignated	<u>4,678,003</u>	<u>43,956,433</u>	<u>63,453,907</u>	<u>112,088,343</u>
Total Unreserved	<u>18,594,529</u>	<u>43,956,433</u>	<u>63,453,907</u>	<u>126,004,869</u>
Total	<u>\$33,312,503</u>	<u>\$43,956,433</u>	<u>\$63,532,941</u>	<u>\$140,801,877</u>

At June 30, 2002, the Workers' Compensation and Health Benefits funds ended the year with deficit fund balances of \$263,329 and \$703,951, respectively.

NOTE 11 – POSTEMPLOYMENT BENEFITS

The District provides postemployment medical benefits in accordance with District employment contracts. All District employees with a minimum of 16 years of service receive health benefits for life for the employee and their dependents. Currently, former employees and approximately 1,500 dependents are receiving these benefits. The District contributes 100 percent of the premiums. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as former employees report claims. During the 2001-2002 fiscal year, expenditures of approximately \$6,000,000 were recognized for postemployment medical benefits.

The District obtained an actuarial study of the future liability of post-retirement plan benefits. The results of this study estimated the future liability to be \$214,000,000.

FRESNO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 12 - RISK MANAGEMENT

A. Description

The District's risk management activities are recorded in the Self-Insurance Fund. The purpose of the fund is to administer employee health, property and liability and workers' compensation programs of the Fresno Unified School District on a cost-reimbursement basis. This fund accounts for the risk financing activities of the Fresno Unified School District, but does not constitute a transfer of risk from the Fresno Unified School District.

Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the Fresno Unified School District retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage.

B. Claims Liabilities

The District records an estimated liability for indemnity health care, workers' compensation, torts, and other claims against the Fresno Unified School 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.

C. 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 June 30, 1999, to June 30, 2001 (in thousands):

	Property and Liability	Workers' Compensation	Health Care	Defined Benefits
Liability Balance, June 30, 2000	\$ 887	\$ 3,787	\$ 10,234	\$ -
Claims and changes in estimates	997	8,003	59,392	367
Claims payments	975	5,878	57,986	367
Liability Balance, June 30, 2001	909	5,912	11,640	-
Claims and changes in estimates	4,234	9,518	69,638	478
Claims payments	3,895	8,644	70,663	478
Liability Balance, June 30, 2002	\$ 1,248	\$ 6,786	\$ 10,615	\$ -
Assets available to pay claims at June 30, 2002	\$ 1,511	\$ 6,523	\$ 9,910	\$ 4,596

D. Trust Accounts

To facilitate the processing of claims, revolving types of trust bank accounts were established. All claims arising are handled by the District's Independent Administrators, Risk Management Resources and RX Net, who write and issue checks in settlement of claims against the District. The \$1,500,000 trust account is periodically reimbursed by the District.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

E. Liabilities for Claims - Workers' Compensation

The liability of \$13,416,439 is based upon an actuarial study performed in January 2001. The liability for claims represents an estimate of costs of open claims and an estimate for incurred but not reported claims (IBNR). The District has recorded a portion of the liability for claims in the Workers' Compensation Fund in the amount of \$5,911,909. The balance of the liability for claims of \$7,504,530 has been recorded in the General Long-Term Debt since funds are not available in the Internal Service Fund and the ultimate liability for the Long-Term portion will be from the General Fund and applicable Special Revenue Funds.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. STRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-2002 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2002, 2001, and 2000, were \$23,756,274, \$22,750,160 and \$20,170,046, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

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

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001-2002 was zero percent of annual payroll. The contribution requirements of the plan members are established by State statute. There were no contributions required nor paid for the fiscal years ending June 30, 2002, 2001 and 2000.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to pay Social Security benefits. 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.

During the year the District made the required contribution, which was 6.2 percent of its current year covered payroll for employees not covered by STRS or PERS. Employees required and actual contributions matched that of the employer's.

D. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$5,813,588 (1.975 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2002. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

B. 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, 2002.

C. Operating Leases

The District has entered into various operating leases for equipment with lease terms not in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors.

D. Construction Commitments

As of June 30, 2002, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
McLane Modernization	\$ 4,116	September 2002
Edison 5B and 6	515,707	October 2002
Bethune Cafeteria	816,976	December 2002
Addams Modernization	120,904	September 2002
Columbia Cafeteria	1,193,569	December 2002
Sunset Cafeteria	1,051,081	December 2002
Roosevelt Modernization	3,117,847	January 2003
Eaton Cafeteria	571,432	October 2002
Slater Cafeteria	721,207	October 2002
Mayfair Library	13,808	August 2002
Aynesworth Library	2,542,000	February 2003
Ayer Cafeteria	1,191,000	March 2003
Sunnyside Lunch Cover	44,200	August 2002
Heaton Playcourt	290,217	October 2002
	<u>\$ 12,194,064</u>	

FRESNO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 15 - TAX AND REVENUE ANTICIPATION NOTES

On October 2, 2002, the District issued \$25,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on October 2, 2002. By June 30, 2002, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments as Investments and the corresponding liability as an accounts payable.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$26,000,000 of Tax And Revenue Anticipation Notes dated August 28, 2002. The notes mature on August 27, 2003, and yield 1.30 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2003, until 100 percent of principal and interest due is on account in June 30, 2003.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 347,771,581	\$ 347,771,581	\$ 356,649,872	\$ 8,878,291
Federal sources	52,471,610	52,471,610	61,578,364	9,106,754
Other state sources	126,978,174	126,978,174	139,013,807	12,035,633
Other local sources	11,059,512	11,059,512	15,135,906	4,076,394
Total Revenues	538,280,877	538,280,877	572,377,949	34,097,072
EXPENDITURES				
Current				
Instruction	322,141,487	358,621,722	347,837,063	10,784,659
Instruction related activities:				
Supervision of instruction	28,543,978	43,139,548	34,527,899	8,611,649
Instructional library, media, and technology	9,852,009	11,361,168	11,678,635	(317,467)
School site administration	33,519,401	33,772,727	33,923,942	(151,215)
Pupil services:				
Home-to-school transportation	11,491,085	10,792,218	10,900,875	(108,657)
Food services	500	31,382	32,171	(789)
All other pupil services	25,232,044	28,458,712	28,473,042	(14,330)
General administration:				
Data processing	400,756	3,939,144	3,767,509	171,635
All other general administration	25,137,674	25,677,185	24,328,227	1,348,958
Plant services	57,227,287	55,870,878	55,372,472	498,406
Facility acquisition and construction	471,887	2,628,921	2,224,219	404,702
Ancillary services	3,639,749	4,949,944	3,967,269	982,675
Community services	2,957,104	11,641,310	3,385,387	8,255,923
Other outgo	10,203,989	10,904,235	5,127,078	5,777,157
Enterprise services	-	2,059,511	2,016,956	42,555
Debt service	2,350,504	2,892,420	-	2,892,420
Capital outlay	7,061,334	13,271,096	529,916	12,741,180
Total Expenditures	540,230,788	620,012,121	568,524,965	51,487,156
Excess (Deficiency) of Revenues				
Over Expenditures	(1,949,911)	(81,731,244)	3,852,984	85,584,228
Other Financing Sources (Uses):				
Transfers in	8,474,122	8,474,122	9,188,438	714,316
Transfers out	(1,369,048)	(2,884,735)	(4,354,771)	(1,470,036)
Net Financing Sources (Uses)	7,105,074	5,589,387	4,833,667	(755,720)
NET CHANGE IN FUND BALANCES	5,155,163	(76,141,857)	8,686,651	84,828,508
Fund Balance - Beginning	24,625,852	24,625,852	24,625,852	-
Fund Balance - Ending	\$ 29,781,015	\$ (51,516,005)	\$ 33,312,503	\$ 84,828,508

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

SUPPLEMENTARY INFORMATION

FRESNO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

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 (CDE):			
Adult Education - 321 Grant	84.002	03802	\$ 84,583
Adult Education - ESL Handicap	84.002	03303	236,194
Adult Education - GED Secondary	84.002	03978	53,812
Ag Challenge Grant	N/A	N/A	7,328
Even Start	84.213C	13700	304,052
Title IV- Drug Free Schools	84.184	03453	354,342
Eisenhower Math and Science	84.281	03207	695,366
Elementary and Secondary Education Act			
Title I - Basic [1]	84.010	03797	27,035,337
Title I - Capital Expenditures [1]	84.010	03797	196,942
Title I - Comprehensive School Reform [1]	84.010	03966	451,138
Title III - Technology & Literacy	84.318	03285	1,869,842
Title VI - Innovative Strategies	84.298	03073	806,298
Title VI - Class Size Reduction	84.340	03340	3,630,414
Title VII - Early Intervention School Success	N/A	03285	12,764
Bilingual Education			
Comprehensive School	84.290U	10008	665,012
Child Development Infant/Toddler	93.575	03942	7,093
Child Development Quality Improvement	93.575	03641	16,242
Child Care			
Children Center	84.335	03285	5,000
Emergency Immigrant Education	84.162	03159	352,314
Student Academic Partnerships	84.276	03268	205,423
Family Preservation	N/A	N/A	473,449
Foreign Language Assistance	N/A	N/A	150,627
Hmong Suicide Prevention	N/A	N/A	110,928
Local Reading Improvement	N/A	N/A	2,000,000
Magnet School Assistance	84.156A	04052	2,358,021
Tutorial Assistance Grant	N/A	N/A	439,605
Nutrition Network Grant	N/A	N/A	55,108
Mathematic Professional Development	N/A	N/A	258,338
Indian Education	84.014	10011	146,166
Stewart McKinney Homeless Children	84.196	03697	235,867

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Migrant Education			
Regular School [1]	84.011	03628	2,359,545
Summer School [1]	84.011	03628	1,267,542
Special Education - State Grants			
Local Assistance [1]	84.027	03379	7,864,339
Staff Development [1]	84.027	03613	31,889
Idea Preschool [1]	84.027	03379	634,273
Infant Discretionary [1]	84.027	03612	38,630
21st Century	84.287	10042	1,189,113
Smaller Learning	N/A	N/A	294,265
Local Systemic Change	N/A	N/A	480,407
Urban Systemic Program	N/A	N/A	1,077,161
Vocational Educational Grants			
Carl Perkins	84.048	03569	1,007,578
Carl Perkins - Adult	84.048	03569	372,200
Voc & Applied Technology	N/A	03920	5,000
Viking Soundproofing	N/A	N/A	421,330
Total U.S. Department of Education	84.027	03379	<u>60,176,294</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Children's Center Food Program			
Child Development Center [1]	10.558	03755	655,482
National School Lunch [1]	10.555	03755	21,436,536
Total U.S. Department of Agriculture			<u>21,436,536</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal Option Billing	93.767	10013	2,060,309
Total U.S. Department of Agriculture			<u>2,060,309</u>
U.S. DEPARTMENT OF LABOR			
Passed through CDE:			
WIA - Youth College	17.250	03770	884,585
WIA - CIE	17.250	03770	217,297
Total U.S. Department of Agriculture			<u>3,162,191</u>
Total Expenditures of Federal Awards			<u>\$ 81,612,830</u>

[1] Tested as a major program.

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	5,628.16	5,671.98
First through third	18,483.26	18,524.64
Fourth through sixth	17,879.18	17,898.30
Seventh and eighth	10,697.65	10,645.13
Opportunity schools	2.10	2.08
Home and hospital	12.37	12.73
Special education	1,545.99	1,555.33
Total Elementary	54,248.71	54,310.19
SECONDARY		
Regular classes	17,519.37	17,260.97
Continuation education	886.47	892.17
Home and hospital	9.20	10.21
Special education	917.54	913.81
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	243.76	259.27
Total Secondary	19,576.34	19,336.43
Total K-12	73,825.05	73,646.62
CLASSES FOR ADULTS		
Concurrently enrolled	180.80	190.47
Not concurrently enrolled	3,753.87	3,991.16
Total Classes for Adults	3,934.67	4,181.63
Grand Total	77,759.72	77,828.25
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		
Core Instruction		115,973
Remedial Instruction		341,958
Pupils at Risk of Retention		233,131
Pupils with Low STAR Scores		37,387
Elementary Intensive Reading Program		316,762
High school		
Core Instruction		211,718
Remedial Instruction		867,661
Total Hours		2,124,590

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2002**

Grade Level	1982-83	1986-87	2001-02	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,000	180	174	Complied
Grades 1 - 3	43,095	50,400	50,400	180	174	Complied
Grades 4 - 6	54,000	54,000	54,010	180	174	Complied
Grades 7 - 8	54,000	54,000	54,126	180	174	Complied
Grades 9 - 12	54,560	64,800	64,800	180	N/A	Complied

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report Unaudited Actuals and the audited financial statements.

	<u>General Long- Term Debt Account Group</u>
GENERAL LONG-TERM LIABILITIES	
Total Liabilities, June 30, 2002, Unaudited Actuals	\$ 314,081,476
Adjustments	
Decrease in:	
Capital Leases	<u>(4,781)</u>
Total Liabilities, June 30, 2002, Unaudited Actuals	
Audited Financial Statement	<u><u>\$ 314,076,695</u></u>

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2002

	(Budget) 2003 ¹	2002	2001	2000
GENERAL FUND				
Revenues	\$ 566,582,486	\$ 572,377,947	\$ 539,644,443	\$ 481,392,578
Other sources and transfers in	2,740,132	9,188,438	2,037,879	1,997,286
Total Revenues and Other Sources	569,322,618	581,566,385	541,682,322	483,389,864
Expenditures	580,247,109	570,341,345	546,169,017	488,208,113
Other uses and transfers out	3,216,132	2,538,389	500,000	7,341,954
Total Expenditures and Other Uses	583,463,241	572,879,734	546,669,017	495,550,067
INCREASE (DECREASE) IN FUND BALANCE	\$ (14,140,623)	\$ 8,686,651	\$ (4,986,695)	\$ (12,160,203)
ENDING FUND BALANCE	\$ 19,171,880	\$ 33,312,503	\$ 24,625,852 *	\$ 28,505,915
AVAILABLE RESERVES ²	\$ 10,371,028	\$ 16,128,184	\$ 9,865,912	\$ 18,800,354
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	1.78%	2.82%	1.80%	3.79%
LONG-TERM DEBT	\$ 299,400,000	\$ 314,076,695	\$ 221,522,192	\$ 277,910,364
AVERAGE DAILY ATTENDANCE AT P-2 ³	73,719	73,581	71,870	72,241

*Beginning Fund Balance was restated

The General Fund balance has increased by \$14,512,149 over the past two years. The fiscal year 2002-03 budget projects a decrease of \$14,140,623 (42.4 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 operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2002-03 fiscal year. Total long-term debt has increased by \$36,166,331 over the past two years.

Average daily attendance has increased by 1,340 over the past two years. Additional growth of 138 ADA is anticipated during the 2002-2003 fiscal year.

1 Budget 2003 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

3 Excludes Adult Education ADA.

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2002

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Schedule of Instructional Time

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

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

C. 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 Form J-200 to the audited financial statements.

D. 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.

INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
Fresno Unified School District
Fresno, California

We have audited the financial statements of Fresno Unified School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 25, 2002. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fresno Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Financial Statement Findings as items 2002-3 through 2002-5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fresno Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Fresno Unified School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as item 2002-1 and 2002-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal

control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Jaurinek, Irine, Day & Co., LLP

Fresno, California
October 25, 2002



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

Board of Trustees
Fresno Unified School District
Fresno, California

Compliance

We have audited the compliance of Fresno Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2002. Fresno Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Fresno Unified School District's management. Our responsibility is to express an opinion on Fresno Unified School District's compliance based on our audit.

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

In our opinion, Fresno Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Fresno Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Jaurinek, Irine, Day & Co., LLP

Fresno, California
October 25, 2002



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Fresno Unified School District
Fresno, California

We have audited the financial statements of the Fresno Unified School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 25, 2002. In our report, our opinion was qualified because the Fresno Unified School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Fresno Unified School District is responsible for compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Fresno Unified School District's compliance with the laws and regulations of the following items:

Table with 3 columns: Item, Procedures in Controller's Audit Guide, Procedures Performed. Rows include Attendance accounting, Kindergarten continuation, Independent study, Continuation education, Adult education, Regional occupational centers/programs, Staff development days, Incentives for longer instructional day, School districts, County offices of education, GANN limit calculation, Early retirement incentive program.

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	Not Applicable
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not Applicable
Option one and two classes	16	Not Applicable
Reduce class size in two courses in grade 9	8	Yes
State instructional materials fund		Yes
K-8	10	Yes
9-12	7	Yes
Schiff-Bustamante standards-based instructional materials	9	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Office of Criminal Justice Planning	-	Not Applicable

Based on our audit, we found that for the items tested, the Fresno Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Fresno Unified School District had not complied with the laws and regulations.

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

Jaurinek, Irine, Day & Co., LLP

Fresno, California
October 25, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRESNO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2002**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Cluster</u>
<u>10.550, 10.555</u>	<u>National School Lunch Program - Cluster</u>
<u>84.011</u>	<u>Migrant Education</u>
<u>84.027</u>	<u>Special Education-Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,448,366</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weakness identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

FRESNO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

The following finding represents a reportable condition, related to the financial statements that are required to be reported in accordance with generally accepted *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

Cash

2002-1 Finding (30000)

During our audit of Cash at year-end, we discovered the following problems:

- The Adult School bank account was not reconciled to the impressed amount of \$5,000.
- The District closed the account for the Cafeteria, however the account has not cleared and continues to be maintained on the book.
- The District does not record cash in bank balance on the book, which causes the District's book balance to be understated by \$99,649.

Recommendation

- A reconciliation that reconciles to the book balance to the imprest balance should be performed on a monthly basis. This shows all of the un-reimbursed items at month end. The reconciled book balance along with the un-reimbursed items should equal the imprest amount of \$5,000.
- The District should attempt to write off \$1,328 out of their book.
- The District should record cash in bank balance for \$10,000 in the IPPO bank account, \$19,724 in the Payroll EFT account, and \$69,925 in the Adult fund.

District Response

- Fiscal Services will work closely with the appropriate personnel to ensure that imprest reconciliation is performed on a monthly basis for the Adult School bank account.
- The District will investigate the source of the \$1,328 and utilize Board approved procedures to write off the balance from the balance sheet in the Cafeteria Fund.
- The District will implement procedures to ensure that the clearing accounts have zero balances at the end of the each quarter. All remaining balances will be reviewed and cleared by the Fiscal Service staff. Also, efforts will be made to ensure that the imprest amount of \$10,000 will be added to the cash in bank balance to reflect the IPPO bank account.

FRESNO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

ASSOCIATED STUDENT BODY

Internal Control and Financial Reporting

2002-2 Finding (30000)

All findings and recommendations for these accounts are presented in the Fresno Unified Student Body Funds Annual Financial Report for the year ended June 30, 2002.

FRESNO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

FRESNO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

The following findings represent instances of noncompliance and questioned costs relating to state program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

K-3 Class Size Reduction

2002-3 Finding (40000)

The Class Size Reduction Program requires that the J7-CSR Report be submitted in whole numbers only. The Class Size Reduction Program instructions indicated that an 18.44 would be rounded down to 18 and an 18.45 would be rounded up to 19. The District software program rounded 18.45 down to 18. This caused the District's J7-CSR Report to be understated by 59 students. We also noted that pupils who are enrolled in the independent study program are reported on the District's J-7CSR form.

Recommendation

The District should revise their J7-CSR Report and resubmit the report to the California Department of Education.

District Response

The District concurs with the finding and will carry out the auditors' recommendation of amending the applicable report and resubmitted it to the California Department of Education.

Morgan-Hart 9th Grade Class Size Reduction

2002-4 Finding (40000)

In reviewing the District's schedule to determine the Fiscal Year Equivalent Enrollment (FYEE) in grade 9 for classes participating in the Morgan-Hart class size reduction program, we noted that the average class size calculation was incorrect. The District's calculations for the 9th grade classes totaled 4,111 Fiscal Year Equivalent Enrollment, while our total was 4,066, as one class' average was in excess of 22.5 making it ineligible. The fiscal impact of the 45 FYEE difference amounts to \$7,965 at \$177 per FYEE.

Recommendation

The District should amend and forward their report for the Morgan-Hart program to report the corrected FYEE figures.

FRESNO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

District Response

The District concurs and will carryout with the auditors' recommendation of amending the attendance reports to reflect the correct ADA.

Wolters Elementary School

Kindergarten Compliance

2002-5 Finding (10000)

Four students that were retained in kindergarten beyond their one year anniversary date did not have the Districts' "Permission to Retain" form approved in form and content by the State Department of Education, signed by the parent/guardian, on file at the site as required by California Educational Code Section 46300 (g).

Recommendation

In order to claim the apportionment attendance credit for a kindergarten student who has been retained beyond his or her one year anniversary date must have the Districts' "Permission to Retain" form on file. California Educational Code Section 46300 (g) states, "In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than an additional year." The attendance for the students who were retained in kindergarten without having the required retention forms on file was 3.32 ADA. The attendance reports that have been filed must be reduced by 3.32 for kindergarten, revised and resubmitted to the appropriate agencies. Based on other site testing performed, the situation appeared to be site specific.

District Response

The District concurs and will carryout with the auditors' recommendation of amending the attendance reports to reflect the correct ADA.

FRESNO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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

GOING CONCERN

2001-1 Finding (60000)

The District did not maintain the State's required available reserves for economic uncertainties of two percent or \$10,933,380. The District ended the Fiscal year June 30, 2001, with available reserves for economic uncertainties of \$9,865,912 or 1.8 percent. The District was under funded by \$1,067,468. In addition, the Health Benefit Self Insurance Fund had a deficit retained earning of \$703,951 and the Workers Compensation Self Insurance Fund had a deficit retained earnings of \$263,329. Also the General Fund has a potential liability to the Workers Compensation Self Insurance Fund of \$7,504,530, which is reported in the General Long-term Debt Account Group.

Recommendation

The District should develop a specific plan to address the above listed serious financial conditions and develop monitoring procedures to ensure that the financial plan is being implemented and achieving the projected results.

Current Status

Implemented

ASSOCIATED STUDENT BODY

Internal Control and Financial Reporting

2001-2 Finding (30000)

All findings and recommendations for these accounts are presented in the Fresno Unified Student Body Funds Annual Financial Report for the year ended June 30, 2001.

FRESNO UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Site Discretionary Accounts

2001-3 Finding (30000)

As noted in prior years, numerous expenditures were found to have been made from the Principals' Discretionary Accounts that went against established and updated District policy.

Recommendation

Current Status

The District should continue to inservice the appropriate personnel on the proper use of these funds.

Implemented

