

**FRESNO UNIFIED  
SCHOOL DISTRICT**

---

ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2003**





**FRESNO UNIFIED SCHOOL DISTRICT**

**OF FRESNO COUNTY**

**FRESNO, CALIFORNIA**

**JUNE 30, 2003**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard A. Johanson	President	2006
David D. Wright	Clerk	2004
Michael E. O'Hare	Member	2004
Manuel G. Nunez	Member	2004
Luisa Medina	Member	2006
Patricia R. Barr	Member	2006
Tony Vang, Ed. D.	Member	2006

**ADMINISTRATION**

Santiago V. Wood, Ed. D.	Superintendent
Carole Sarkisian-Bonard, Ed. D.	Deputy Superintendent
Wes Stewart	Interim Associate Superintendent/Chief Financial Officer
Gary Duke	Associate Superintendent/Policy, Planning & Legislation
Melinda Homola	Associate Superintendent/Human Resources/Labor Relations
Paula Cottrell	Assistant Superintendent/Middle School Education
Helen Ramirez	Assistant Superintendent/Elementary Division
Sandra Carsten	Assistant Superintendent/Elementary Division
Terry Simerly	Assistant Superintendent/Elementary Division
Karen Major	Assistant Superintendent/Elementary Division
Chuck McAlexander	Assistant Superintendent/Operational Services
Jacquie Canfield	Administrator, Fiscal Services
Barbara Bengel	Administrator, State and Federal

**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, 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. 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*

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**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, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2003, 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 respective 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, 2003, 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.

As discussed in Note 1.B to the financial statements, the District recognized certain deferred state appropriations as revenue in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2003, 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.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 52, are not a required part of the basic financial statements, but are supplementary information required by Governmental Accounting Standards Board (GASB). 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.

*Jaurink, Orin, Day & Co, LLP*

Fresno, California  
October 24, 2003



# FRESNO UNIFIED SCHOOL DISTRICT

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

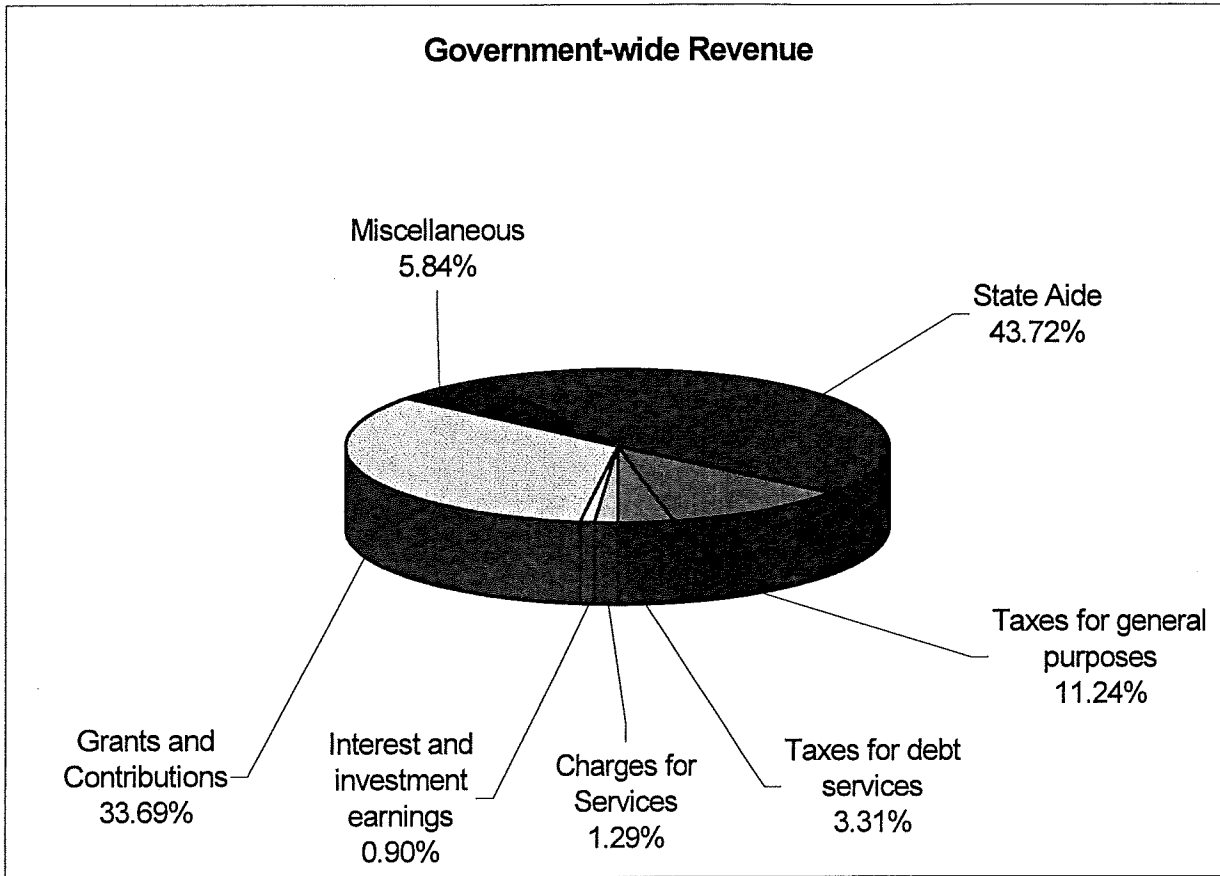
As management of the Fresno Unified School District, Fresno, Fresno County, California (the District), we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2003.

## ***FINANCIAL HIGHLIGHTS***

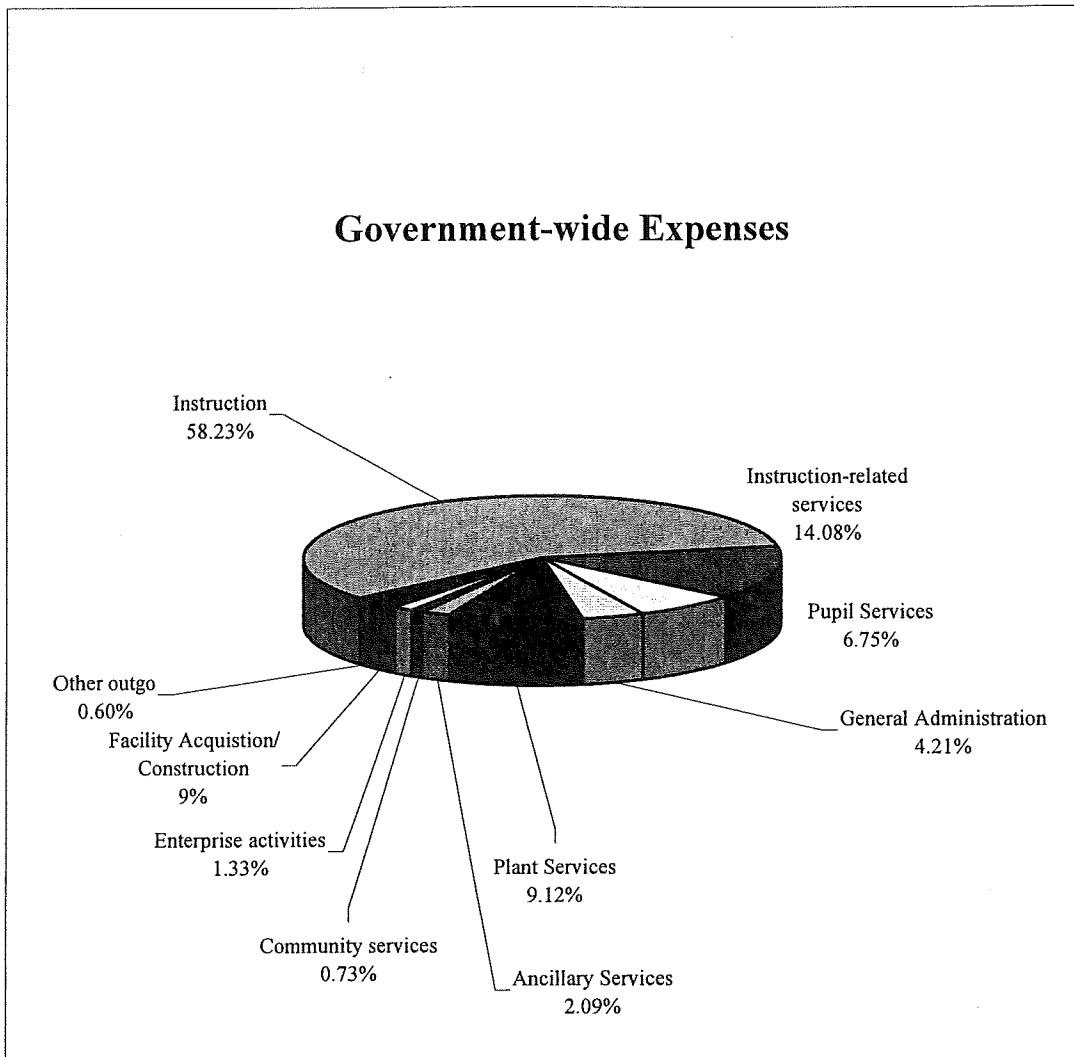
- The primary government has government-wide net assets totaling \$116 million at the end of the current fiscal year.
- Business-type activities have restricted net assets surplus of \$25 million.
- The total net assets of the District increased by \$30 million during fiscal year 2003. The increase is due primarily to the capital assets experiencing significant growth in the areas of land and construction in process.
- Fund balance of the District's governmental funds increased by \$48 million resulting in an ending fund balance of \$188 million. The majority of the increase is a result of the additional funds available from the Measure "A" and Measure "K," issuances, and County School Facilities. Also, the District's effort to monitor its cost via hiring and purchasing freezes and maximize revenue opportunities from federal, state, and local sources contributes 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 decreased by \$8 million. The impact of State's budget crisis and its affect on categorical resources are key factors.
- The District's long-term obligations increased by \$65 million to \$379 million as a result of additional bond issues of Measure K Series C and D, and current year adjustments to the compensated absences balance. Also, an additional \$5 million was adjusted to the long term portion of the claims liability for workers' compensation.
- The District's financial position was maintained during fiscal 2003 as reflected by Standard and Poor's notice dated January 1, 2003, with a rating of A+. This maintaining of the credit rating is a result of the District maximizing the flexibility transfers, utilization of restricted resources, and controlling District expenses.
- The net assets of the District's business type activities - Food Services – increased by 6.7%. The increase is due to operation efficiencies.

**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**



***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. 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.

**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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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 Facilities 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, 2003, and therefore has no financial impact on the District.

*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.

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 13 different governmental funds. The major funds are the general fund, the building fund, and county school facilities 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.

**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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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: Deposits and investments, receivables, internal balances, stores inventories, prepaid expenditures, and capital 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 Note #5, Capital Assets in the notes to the financial statements.

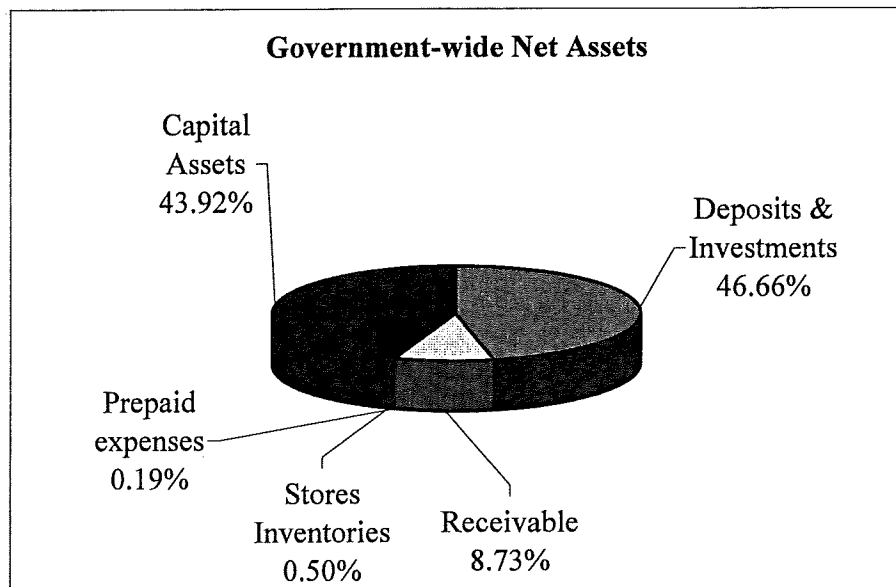
Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, long term liabilities, and deferred revenue. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal 2003. Long-term liabilities such as bonds payable, COPs, and compensated absences will be liquidated from resources that will become available after fiscal 2004.

**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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The assets of the primary government activities exceed liabilities by \$91 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 \$276 million in land, improvement of sites, buildings, and equipment to provide the services to the District's 81,000 public school students represents 46 percent 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 2003.

- The Building Fund's fund balance increased by \$38 million. This fund is operating as anticipated.
- The Building Fund's major projects completed include the following:
  - Addams Modernization \$1.3 million
  - Ayer Cafeteria \$ 1.5 million
  - Baird Modernization \$ 1.4 million
  - Eaton Multipurpose \$ 2.0 million
  - Edison Mod Phases 5,6,7, & 9 \$ 20.2 million



# GOVERNMENTAL FUNDS MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

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The District's Business-type activities increased net assets by \$1.5 million. Business-type activities account for 22 percent of the District's net assets. Key elements that highlight the activities in fiscal year 2003 are as follows:

- The Cafeteria Fund reported an increase in net assets of 6.7 percent. This fund is operating as anticipated.
- The Cafeteria Fund provides over 19,500 breakfasts and 47,000 meals and 4,500 snacks a day. Seventy-five percent of the student population qualified for free or reduced price meals. Meals are served at 107 locations, utilizing 550 full and part-time employees and 90 substitutes. The meals served have remained constant enabling the program to operate on the federal and state reimbursement.

## 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 164 students during the fiscal year according to the October 2002 CBEDS data. The average daily attendance increased 630. This increase amounts to approximately \$3 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 may be used as determined by the Board. Education Code 41011 requires unified districts to spend at least 55 percent towards classroom compensation. In 2002-03, Fresno Unified spent 61.75 percent 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 two different intervals (December and March). This year the March report was submitted as qualified resulting in a required third projection in June. The Third Interim report in June projected the ending fund balance to be \$22.3 million.

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.

The estimated unrestricted ending balance would be \$14.3 million. The actual ending balance was \$16.1 million. Some of the main differences were due to:

- Maximum utilization of the restricted flexibility transfers.
- Increases in Mega Item transfer limitations by the State.
- Lower contribution to the Restricted Routine Maintenance Account.

**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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Capital Assets and Debt Administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2003 was \$278 million (net of accumulated depreciation). Capital assets include land, buildings, improvement of sites, equipment, and work in progress. Capital assets increased by 12 percent in business-type activities. Capital assets for the governmental activities increased by 18%.

Major capital events during the year are included in the governmental activities – capital projects section. Additional information on the District's capital assets can be found in Note 5 of this report.

At June 30, 2003, the District had total bonded debt outstanding of \$281 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 \$86 million still outstanding at the end of the current fiscal year.

Total long-term debt for the District increased during the current fiscal year according to the normal schedule of payments. Some refinancing of existing debt occurred and two 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 the District's 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 \$30 million adjustment in order to balance and maintain the required 2 percent reserve. As noted in the prior year, a list of reductions, prioritized by District, parent and community members, was presented to the Board for approval on February 27, 2003. The Board approved the reductions with no cost-of-living increase at that time.

The main State assumptions included no COLA increase in the revenue limit. Furthermore, a 1.2% decrease was anticipated in the revenue limit but the District planned to backfill loss from restricted fund balance. Status quo funding are expected from CSR K-3, CSR 9<sup>th</sup> Grade, Summer School, Lottery and Apprentice program. The continuance of mega item was expected to yield \$1.1 million. The employer PERS rate of 10.42% is up from 2.771% along with elimination of the State mandate revenue of \$1.6 million. The PERS Reduction Buyout is anticipated to result in a savings of 23%.

**GOVERNMENTAL FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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The main local assumptions include an increase of \$7 million in the indirect cost revenue from administering federal and state programs. No salary increases are anticipated; however, step and column for employees will amount to \$4.8 million. Health and Workers' Compensations costs are projected to be \$7 million and \$.5 million respectively over fiscal year 2003 actuals. A change in K-3 staffing of 1 to 19 will result in \$2.6 million and contribution to restricted programs is anticipated to be \$4.7 million. While the adopted budget included an additional 630 ADA referred to earlier in the *Financial Analysis of the District's Government Fund*, the first interim projection presented to the Board is assuming funding based on the prior year's ADA.

Additional local assumptions involve using restricted lottery funds for the classroom materials in the amount \$.4 million. Teaching positions above Board approved staffing will be funded from unrestricted dollars in the amount \$6.7 million for 86.2 FTE. Measure A and Measure K will be the source for the District's required match of \$2.7 million to Deferred Maintenance. Routine debt service payments for Tax Override will be funded from Measure A and Special Reserve for \$3.4 million.

The 2003-04 first interim multi-year projections estimate the District will need to make \$27 million in ongoing reductions in 2004-05 and \$17.8 million in 2005-06. The main reasons for the projected reductions are health and workers' compensation costs are expected to double. Due to the State's financial situation, the District anticipates no COLA for 2004/05; continued lack of support in mandate revenues; elimination of flexibility transfers; and restoring the reserves in 2005/06. Lastly, the District has agreed to decrease class size in 2004/05 and 2005/06.

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# FRESNO UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2003

Assets	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 273,740,119	\$ 20,477,707	\$ 294,217,826
Receivables	51,238,864	3,797,858	55,036,722
Internal balances	1,715,793	(1,715,793)	-
Prepaid expenses	1,191,930	10,000	1,201,930
Stores inventories	1,954,633	1,169,663	3,124,296
Capital assets			
Land and construction in process	32,028,532	-	32,028,532
Other capital assets	387,433,848	3,591,357	391,025,205
Less: Accumulated depreciation	(143,608,384)	(2,477,135)	(146,085,519)
Total capital assets	<u>275,853,996</u>	<u>1,114,222</u>	<u>276,968,218</u>
<b>Total Assets</b>	<u><b>605,695,335</b></u>	<u><b>24,853,657</b></u>	<u><b>630,548,992</b></u>
<b>Liabilities</b>			
Accounts payable	103,180,851	352,712	103,533,563
Deferred revenue	31,500,576	-	31,500,576
Long-term liabilities			
Current portion of long-term obligations	23,420,451	-	23,420,451
Noncurrent portion of long-term obligations	356,036,418	-	356,036,418
Total long-term liabilities	<u>379,456,869</u>	<u>-</u>	<u>379,456,869</u>
<b>Total Liabilities</b>	<u><b>514,138,296</b></u>	<u><b>352,712</b></u>	<u><b>514,491,008</b></u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	* (102,425,831)	1,114,222	(101,311,609)
Restricted for:			
Debt service	51 29,982,843	-	29,982,843
Capital projects	14 21 36 35 40 122,821,686	-	122,821,686
Educational programs	11, 12 9,120,887	-	9,120,887
Other activities	10,625,118	23,386,723	34,011,841
Unrestricted	61 21,432,336	-	21,432,336
<b>Total Net Assets</b>	<u><b>\$ 91,557,039</b></u>	<u><b>\$ 24,500,945</b></u>	<u><b>\$ 116,057,984</b></u>

\* INCLUDES THE LONG TERM PORTION FOR LIABILITY OF CLAIMS  
AND THIS IS NOT CORRECT.

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 375,915,986	\$ 2,578,160	\$ 109,252,224	\$ 28,155,815
Instruction-related activities:				
Supervision of instruction	42,024,259	669,935	38,434,781	-
Instructional library, media and technology	10,772,876	902	2,566,908	-
School site administration	38,065,197	104,833	5,174,836	-
Pupil services:				
Home-to-school transportation	11,645,757	1,393,142	4,258,817	-
Food services	424,154	19,942	390,945	-
All other pupil services	31,485,794	355,769	19,024,144	-
General administration:				
Data processing	4,070,846	-	-	-
All other general administration	23,128,558	208,256	10,196,665	-
Plant services	58,878,971	51,235	4,276,654	-
Ancillary services	13,490,432	56,792	925,033	-
Community services	4,692,219	180,560	3,443,128	-
Interest on long-term debt	13,557,944	-	-	-
Other outgo	3,892,867	14,509	3,830,976	-
Depreciation (unallocated)	8,601,540	-	-	-
<b>Total Governmental-Type Activities</b>	<u>640,283,872</u>	<u>5,634,035</u>	<u>201,775,111</u>	<u>28,155,815</u>
<b>Business-Type Activities</b>				
Food services	25,956,189	2,973,555	23,396,187	-
<b>Total Business-Type Activities</b>	<u>25,956,189</u>	<u>2,973,555</u>	<u>23,396,187</u>	<u>-</u>
<b>Total School District</b>	<u>\$ 666,240,061</u>	<u>\$ 8,607,590</u>	<u>\$ 225,171,298</u>	<u>\$ 28,155,815</u>
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				
<b>Subtotal, General Revenues</b>				
<b>Change in Net Assets</b>				
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**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (235,929,787)	\$ -	\$ (235,929,787)
(2,919,543)	-	(2,919,543)
(8,205,066)	-	(8,205,066)
(32,785,528)	-	(32,785,528)
(5,993,798)	-	(5,993,798)
(13,267)	-	(13,267)
(12,105,881)	-	(12,105,881)
(4,070,846)	-	(4,070,846)
(12,723,637)	-	(12,723,637)
(54,551,082)	-	(54,551,082)
(12,508,607)	-	(12,508,607)
(1,068,531)	-	(1,068,531)
(13,557,944)	-	(13,557,944)
(47,382)	-	(47,382)
(8,601,540)	-	(8,601,540)
(404,718,911)	-	(404,718,911)
-	413,553	413,553
-	413,553	413,553
(404,718,911)	413,553	(404,305,358)
75,114,732	-	75,114,732
22,127,590	-	22,127,590
292,173,442	-	292,173,442
5,527,162	505,315	6,032,477
38,432,573	626,517	39,059,090
433,375,499	1,131,832	434,507,331
28,656,588	1,545,385	30,201,973
62,900,451	22,955,560	85,856,011
\$ 91,557,039	\$ 24,500,945	\$ 116,057,984

**FRESNO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2003**

	<u>General Fund</u>	<u>Building Funds</u>	<u>County School Facilities Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 54,664,373	\$ 83,928,764	\$ 36,285,100
Receivables	48,171,560	434,597	687,067
Due from other funds	8,374,736	-	18,555
Prepaid expenses	21,710	-	-
Stores inventories	1,876,391	-	-
<b>Total Assets</b>	<u>\$ 113,108,770</u>	<u>\$ 84,363,361</u>	<u>\$ 36,990,722</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	75,673,653	1,822,202	1,337,001
Due to other funds	1,045,902	298,125	3,019,583
Deferred revenue	11,466,001	-	-
<b>Total Liabilities</b>	<u>88,185,556</u>	<u>2,120,327</u>	<u>4,356,584</u>
<b>FUND BALANCES</b>			
Reserved	11,200,104	-	-
Unreserved:			
Designated	13,723,110	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	82,243,034	32,634,138
<b>Total Fund Balance</b>	<u>24,923,214</u>	<u>82,243,034</u>	<u>32,634,138</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 113,108,770</u>	<u>\$ 84,363,361</u>	<u>\$ 36,990,722</u>

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



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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 69,318,392	\$ 244,196,629
1,847,667	51,140,891
1,176,972	9,570,263
-	21,710
78,242	1,954,633
<u>\$ 72,421,273</u>	<u>\$ 306,884,126</u>
2,140,937	80,973,793
1,615,044	5,978,654
20,034,575	31,500,576
<u>23,790,556</u>	<u>118,453,023</u>
78,242	11,278,346
-	13,723,110
10,625,118	10,625,118
29,982,843	29,982,843
7,944,514	122,821,686
<u>48,630,717</u>	<u>188,431,103</u>
<u>\$ 72,421,273</u>	<u>\$ 306,884,126</u>

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**FRESNO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2003**

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 188,431,103</b>
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	\$ 419,462,380	
Accumulated depreciation is	<u>(143,608,384)</u>	
Total capital assets		275,853,996
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		383,573
Internal service funds are used by the District's management to charge the costs of the workers' compensation, employee health benefits and property liability insurance programs to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities. Internal service funds net assets are:		6,345,236
Long-term liabilities at year end consist of:		
General obligation bonds	(277,688,742)	
Certificates of participation	(85,295,000)	
Special tax revenue bonds	(3,076,325)	
Capital lease obligations	(1,067,058)	
Compensated absences	(1,177,042)	
Long term workers' compensation liability	<u>(11,152,702)</u>	
Total long-term liabilities		(379,456,869)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 91,557,039</u></b>

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, 2003**

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>			
Revenue limit sources	\$364,434,085	\$ -	\$ -
Federal sources	74,709,339	-	-
Other state sources	131,705,416	-	24,577,921
Other local sources	16,358,205	1,578,606	676,407
<b>Total Revenues</b>	<b>587,207,045</b>	<b>1,578,606</b>	<b>25,254,328</b>
<b>EXPENDITURES</b>			
Current			
Instruction	367,292,216	-	-
Instruction-related activities:			
Supervision of instruction	40,941,950	-	-
Instructional library, media and technology	10,769,027	-	-
School site administration	35,763,909	-	-
Pupil Services:			
Home-to-school transportation	11,645,757	-	-
Food services	60,511	-	-
All other pupil services	31,130,397	-	-
General administration:			
Data processing	4,070,846	-	-
All other general administration	19,421,795	-	-
Plant services	58,230,251	11,449	-
Facility acquisition and construction	511,988	14,346,195	12,467,737
Ancillary services	4,522,856	-	-
Community services	2,867,757	-	-
Other outgo	4,276,440	-	-
Enterprise services	2,184,338	-	-
Debt service			
Principal	1,617,378	10,973,314	-
Interest and other	357,304	383,573	-
<b>Total Expenditures</b>	<b>595,664,720</b>	<b>25,714,531</b>	<b>12,467,737</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(8,457,675)</b>	<b>(24,135,925)</b>	<b>12,786,591</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,784,518	-	109,666
Other sources	-	69,380,011	-
Transfers out	(2,716,132)	(6,957,485)	-
<b>Net Financing Sources (Uses)</b>	<b>68,386</b>	<b>62,422,526</b>	<b>109,666</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(8,389,289)</b>	<b>38,286,601</b>	<b>12,896,257</b>
<b>Fund Balance - Beginning</b>	<b>33,312,503</b>	<b>43,956,433</b>	<b>19,737,881</b>
<b>Fund Balance - Ending</b>	<b>\$ 24,923,214</b>	<b>\$ 82,243,034</b>	<b>\$32,634,138</b>

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

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 9,766,498	\$ 374,200,583
2,225,468	76,934,807
12,435,281	168,718,618
30,473,234	49,086,452
<u>54,900,481</u>	<u>668,940,460</u>
8,623,770	375,915,986
1,082,309	42,024,259
3,849	10,772,876
2,301,288	38,065,197
-	11,645,757
363,643	424,154
355,397	31,485,794
-	4,070,846
1,139,731	20,561,526
4,574,344	62,816,044
6,601,554	33,927,474
-	4,522,856
1,824,462	4,692,219
-	4,276,440
522,412	2,706,750
12,465,509	25,056,201
12,817,067	13,557,944
<u>52,675,335</u>	<u>686,522,323</u>
<u>2,225,146</u>	<u>(17,581,863)</u>
14,538,656	17,432,840
737,015	70,117,026
(7,759,223)	(17,432,840)
<u>7,516,448</u>	<u>70,117,026</u>
9,741,594	52,535,163
38,889,123	135,895,940
<u>\$ 48,630,717</u>	<u>\$ 188,431,103</u>

**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, 2003**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 52,535,163</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.</p> <p>This is the amount by which depreciation exceeds capital outlays in the period.</p>	
Depreciation expense	\$(8,601,540)
Capital outlays	<u>52,172,536</u>
	43,570,996
<p>In the statement of activities, certain operating expenses - compensated absences (vacations) and workers' compensation long term liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the workers' compensation long term liability was \$6,260,826. Vacation used was less than the amounts earned by \$114,062.</p>	
	(6,374,888)
<p>Proceeds received from issuance of debt 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:</p>	
Sale of general obligation bonds	(110,245,000)
<p>Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:</p>	
Premium on issuance	383,573
<p>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:</p>	
General obligation bonds	40,320,000
Certificates of participation	7,380,000
Special tax revenue bonds	307,633
Capital lease obligations	1,925,754
Workers' compensation long term liability	1,306,327
<p>An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.</p>	
	<u>(2,452,970)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 28,656,588</u></b>

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, 2003**

	<b>Business-Type Activities Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Food Service</b>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 20,477,707	\$ 29,543,490
Receivables	3,797,858	97,973
Due from other funds	290,189	1,344,389
Prepaid expenses	10,000	786,647
Stores inventories	1,169,663	-
<b>Total Current Assets</b>	<u>25,745,417</u>	<u>31,772,499</u>
<b>Noncurrent Assets</b>		
Capital assets	3,591,357	-
Less: accumulated depreciation	(2,477,135)	-
<b>Total Noncurrent Assets</b>	<u>1,114,222</u>	<u>-</u>
<b>Total Assets</b>	<u>26,859,639</u>	<u>31,772,499</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	352,712	22,207,058
Due to other funds	2,005,982	3,220,205
<b>Total Current Liabilities</b>	<u>2,358,694</u>	<u>25,427,263</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,114,222	-
Unrestricted	23,386,723	6,345,236
<b>Total Net Assets</b>	<u>\$ 24,500,945</u>	<u>\$ 6,345,236</u>

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, 2003**

	<b>Business-Type Activities Enterprise Funds Food Service</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,635,132	\$ -
Charges to other funds and miscellaneous revenues	338,422	96,905,913
<b>Total Operating Revenues</b>	<b>2,973,554</b>	<b>96,905,913</b>
<b>OPERATING EXPENSES</b>		
Payroll costs	12,915,887	952,244
Professional and contract services	674,240	93,946,474
Supplies and materials	10,999,958	32,247
Facility rental	310,638	-
Other operating cost	973,766	-
Depreciation	6,445	-
<b>Total Operating Expenses</b>	<b>25,880,934</b>	<b>94,930,965</b>
<b>Operating Income (Loss)</b>	<b>(22,907,380)</b>	<b>1,974,948</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	505,316	478,022
Grants	24,022,705	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>24,528,021</b>	<b>478,022</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>1,620,641</b>	<b>2,452,970</b>
Transfers in	-	152,025
Transfers out	-	(152,025)
<b>Change in Net Assets</b>	<b>1,620,641</b>	<b>2,452,970</b>
<b>Total Net Assets - Beginning</b>	<b>22,880,304</b>	<b>3,892,266</b>
<b>Total Net Assets - Ending</b>	<b>\$ 24,500,945</b>	<b>\$ 6,345,236</b>

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, 2003**

	<b>Business-Type Activities Enterprise Funds Food Services</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 2,973,554	\$ 4,495,337
Cash received from assessments made to other funds	-	92,888,600
Cash payments to employees for services	(12,915,888)	(952,245)
Cash payments for insurance claims	-	(87,566,024)
Cash payments to suppliers for goods and services	(12,131,745)	(32,247)
Cash payments for facility use	(914,157)	-
Cash payments for other operating expenses	-	(51,435)
Net Cash Provided (Used) for Operating Activities	(22,988,236)	8,781,986
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating grants received	24,022,705	-
Net Cash Provided (Used) from Noncapital Financing Activities	24,022,705	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Sale of equipment	(5,538)	-
Acquisition of capital assets	(129,090)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(134,628)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	505,316	478,022
Net Cash Provided (Used) from Investing Activities	505,316	478,022
Net increase in cash and cash equivalents	1,405,157	9,260,008
Cash and cash equivalents - Beginning	19,072,550	20,283,482
Cash and cash equivalents - Ending	\$ 20,477,707	\$ 29,543,490

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

**FRESNO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2003**

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

Operating income (loss)	(22,907,380)	1,974,948
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	6,445	-
Changes in assets and liabilities:		
Receivables	46,685	15,256
Due from other fund	(277,602)	5,106,175
Inventories	(193,958)	-
Accrued liabilities	(103,988)	293,533
Due to other fund	441,562	1,408,844
Prepays	-	(16,770)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (22,988,236)</b>	<b>\$ 8,781,986</b>

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, 2003**

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	<b>Other Private- Purpose Trust</b>
<b>ASSETS</b>	
Deposits and investments	\$ 2,113,433
Stores inventories	37,703
<b>Total Assets</b>	<u>\$ 2,151,136</u>
<b>LIABILITIES</b>	
Accounts payable	53,157
Due to scholarships	604,808
<b>Total Liabilities</b>	<u>657,965</u>
<b>NET ASSETS</b>	
Reserved for student groups	1,493,171
<b>Total Net Assets</b>	<u>\$ 1,493,171</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, 2003**

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	<b>Other Private- Purpose Trust</b>
<b>ADDITIONS</b>	
Donations	\$ 6,255,864
Interest	6,164
<b>Total Additions</b>	<u>6,262,028</u>
<b>DEDUCTIONS</b>	
Expenditures	<u>6,133,648</u>
<b>Total Deductions</b>	<u>6,133,648</u>
<b>Change in Net Assets</b>	128,380
<b>Net Assets - Beginning</b>	<u>1,364,791</u>
<b>Net Assets - Ending</b>	<u><u>\$ 1,493,171</u></u>

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

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### *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. State Deferred Appropriations**

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) XI 18 (the "Bill") was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California school districts. The Bill, among other things, shifted the appropriation for the payment of the June 2003 principal apportionment for the General and Adult Funds into the 2003-2004 fiscal year. The Bill allowed local educational agencies to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the 2002-2003 appropriations for the Home-to-School Transportation, School Improvement, Targeted Instructional Improvement, and Supplemental Grant programs into the 2003-2004 fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue, and available reserves of \$19,851,274.

#### **C. 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

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

---

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 as long-term liabilities in the government-wide financial statements. 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.

### 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.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

---

- 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.

### **D. Basis of Presentation - Fund Accounting**

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

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

#### **Major Governmental Funds**

**General Fund** The General Fund 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.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

#### **Other Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Adult Education Fund** The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**Cafeteria Fund/Account** The Cafeteria Fund/Account is used to account for the financial transactions related to the food service operations of the District.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

---

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**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. The District maintains the following debt service funds:

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from ad valorem tax levies.

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

**Special Reserve Fund** The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

**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.



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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**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.

### **E. Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial 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 financial statement of activities presents a comparison between direct expenses 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. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

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 activities 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.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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**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 financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial 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 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.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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**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 and 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.

### F. 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.

### G. Investments

Investments held at June 30, 2003, 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.

### H. 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.

### I. 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.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### J. 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.

### K. 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 capitalized, but are expensed as incurred. 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.

### L. 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.

### M. 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-current portion of the liability is reported in long-term debt. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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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.

### **N. 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.

### **O. 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.

### **P. 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, 2003

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### Q. 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.

### R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial 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.

### S. 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.

### T. 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.

### U. 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, 2003

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### *NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES*

For the fiscal year ended June 30, 2003, 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", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Difference". 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 amounts of the District's deposits were \$2,172,418 for government activities, \$621 for business activities, and \$2,113,433 held in fiduciary funds. The bank balances totaled \$2,811,236. Of the bank balances, \$580,545 was covered by Federal deposit insurance and \$2,230,691 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, 2003**

**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 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, 2003, are as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	\$ 281,715,443	\$ 282,729,619
U.S. Treasury Notes [1]	2,580,488	2,580,488
First American Treasury Obligations [1]	2,424,665	2,424,665
FNMA Discount Notes [1]	5,324,191	5,324,191
Total	<u>\$ 292,044,787</u>	<u>\$ 293,058,963</u>

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2003, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Internal Service Fund	Total	Cafeteria Enterprise Fund	Total
Federal Government								
Categorical aid	\$10,630,138	\$ -	\$ -	\$ 796,148	\$ -	\$11,426,286	\$3,351,820	\$14,778,106
State Government								
Apportionment	17,440,246	-	-	296,028	-	17,736,274	-	17,736,274
Categorical aid	4,703,189	-	-	-	-	4,703,189	-	4,703,189
Lottery	4,636,558	-	-	-	-	4,636,558	-	4,636,558
Other state	6,331,710	-	531,479	42,873	-	6,906,062	230,322	7,136,384
Local Government								
Interest	406,595	434,597	152,588	237,061	96,890	1,327,731	102,614	1,430,345
Other Local Sources	4,023,124	-	3,000	475,557	1,083	4,502,764	113,102	4,615,866
Total	<u>\$48,171,560</u>	<u>\$434,597</u>	<u>\$ 687,067</u>	<u>\$ 1,847,667</u>	<u>\$ 97,973</u>	<u>\$51,238,864</u>	<u>\$3,797,858</u>	<u>\$55,036,722</u>



**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 31,473,556	\$ 191,448	\$ -	\$ 31,665,004
Work in progress		363,528		363,528
Total Capital Assets not Being Depreciated	<u>31,473,556</u>	<u>554,976</u>	<u>-</u>	<u>32,028,532</u>
Capital Assets being depreciated				
Land improvements	19,632,176	1,913,702	-	21,545,878
Buildings and improvements	313,775,315	46,571,705	-	360,347,020
Furniture and equipment	2,408,797	3,132,153	-	5,540,950
Total Capital Assets Being Depreciated	<u>335,816,288</u>	<u>51,617,560</u>	<u>-</u>	<u>387,433,848</u>
Less Accumulated Depreciation				
Land improvements	11,108,155	630,322	-	11,738,477
Buildings and improvements	123,135,597	7,603,832	-	130,739,429
Furniture and equipment	763,092	367,386	-	1,130,478
Total Accumulated Depreciation	<u>135,006,844</u>	<u>8,601,540</u>	<u>-</u>	<u>143,608,384</u>
Governmental Activities Capital Assets, Net	<u>\$232,283,000</u>	<u>\$ 43,570,996</u>	<u>\$ -</u>	<u>\$ 275,853,996</u>
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 3,477,470	\$ 129,090	\$ 15,203	\$ 3,591,357
Less Accumulated Depreciation	2,480,345	6,455	9,665	2,477,135
Business-Type Activities Capital Assets, Net	<u>\$ 997,125</u>	<u>\$ 122,635</u>	<u>\$ 5,538</u>	<u>\$ 1,114,222</u>

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

<b>Governmental Activities</b>	
Unallocated depreciation expense	\$ 43,570,996
<b>Business-Type Activities</b>	
Cafeteria Enterprise depreciation expense	6,455
Total Depreciation Expense - All Activities	<u>\$ 43,577,451</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2003**

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**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, 2003, between major and nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 8,374,736	\$ 1,045,902
Child Development	550,492	1,075,082
Deferred Maintenance	103,868	359,452
Tax Override	14,606	31,432
Building	-	298,125
Capital Facilities	135	98,753
County School Facilities	18,555	3,019,583
Special Reserve Capital Outlay	507,871	50,325
Subtotal	<u>9,570,263</u>	<u>5,978,654</u>
Cafeteria Enterprise	290,189	2,005,982
Self Insurance Internal Service	1,344,389	3,220,205
Total	<u>\$ 11,204,841</u>	<u>\$ 11,204,841</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2003**

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**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2003, consisted of the following:

The General Fund transferred to the Capital Facilities Fund for reimbursement of costs incurred by the General Fund.	\$ 68,386
The General Fund transferred to the Deferred Maintenance Fund for the required State match.	2,716,132
The Series G Fund transferred to the General Fund for the District match.	1,116,132
The Series G Fund transferred to the General Fund for the District match.	1,600,000
The Series H Fund transferred to the Tax Override Fund to assist with the debt service payments.	4,241,353
The Special Reserve - Capital Outlay Fund transferred to the Tax Override Fund to assist with the debt service payments.	4,093,340
The State School Building Fund transferred to the County Schools Facility Fund to close out the fund to the Special Reserve Fund.	109,666
The State School Building Fund transferred to the Special Reserve - Capital Outlay Fund to close out the fund to the Special Reserve Fund.	3,468,228
The COP's Debt Service Fund transferred to the Bond Interest and Redemption Fund for interest income.	<u>19,603</u>
Subtotal	<u>17,432,840</u>
The Property/Liability Fund transferred to the Workers' Compensation Fund to restore the fund's diminishing fund balance.	152,025
Total	<u><u>\$17,584,865</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 unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2003, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Subtotal	Cafeteria Enterprise Fund	Internal Service Fund	Total
Vendor payables	\$20,150,200	\$1,822,202	\$1,700,529	\$1,927,799	\$25,600,730	\$352,712	\$4,805,691	\$30,759,133
State categorical	1,705,276	-	-	213,138	1,918,414	-	-	1,918,414
Deferred payroll	19,969,067	-	-	-	19,969,067	-	-	19,969,067
Accrued payroll	7,200,916	-	-	-	7,200,916	-	-	7,200,916
TRANS	26,648,194	-	-	-	26,648,194	-	-	26,648,194
IBNR	-	-	-	-	-	-	17,401,367	17,401,367
Total	<u>\$75,673,653</u>	<u>\$1,822,202</u>	<u>\$1,700,529</u>	<u>\$2,140,937</u>	<u>\$81,337,321</u>	<u>\$352,712</u>	<u>\$22,207,058</u>	<u>\$103,897,091</u>

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue at June 30, 2003, consists of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal financial assistance	\$9,070,306	\$148,462	\$9,218,768
State categorical aid	2,035,825	74,212	2,110,037
School facilities apportionment	-	19,773,567	19,773,567
Other local	359,870	38,334	398,204
Total	<u>\$11,466,001</u>	<u>\$20,034,575</u>	<u>\$31,500,576</u>



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Debt Service Requirements to Maturity

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2004	\$ 6,370,000	\$ 14,667,382	\$ 21,037,382
2005	7,205,000	14,432,465	21,637,465
2006	7,600,000	14,087,662	21,687,662
2007	8,055,000	13,716,257	21,771,257
2008	8,495,000	13,313,545	21,808,545
2009-2013	52,920,000	59,347,141	112,267,141
2014-2018	71,898,845	44,499,602	116,398,447
2019-2023	74,799,897	27,914,009	102,713,906
2024-2028	40,345,000	4,003,849	44,348,849
Total	<u>\$ 277,688,742</u>	<u>\$ 205,981,912</u>	<u>\$ 483,670,654</u>

### **B. Certificates of Participation**

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

Series	Issue Date	Amount Issued	Interest Rates	Principal Paid/ Defeased-Current Year	Outstanding End of Year
⊗ 1992 <sup>(B)</sup>	1991-92	\$35,295,000	4.50 - 7.25%	\$ 1,715,000	\$ 10,570,000
⊗ 1992A <sup>(A)</sup>	1991-92	5,680,000	6.50 - 7.00%	70,000	800,000
1993A <sup>(B)</sup>	1993-94	4,885,000	4.00 - 5.75%	475,000	1,025,000
1993B <sup>(B)</sup>	1993-94	15,925,000	4.80 - 5.25%	900,000	10,505,000
⊗ 1995A <sup>(B)</sup>	1994-95	10,510,000	5.50 - 6.80%	525,000	8,035,000
1997 <sup>(B)</sup>	1997-98	20,840,000	4.00 - 5.00%	1,305,000	14,930,000
1998A <sup>(B)</sup>	1997-98	51,930,000	4.00 - 4.75%	2,390,000	39,430,000
⊙ 2003 <sup>(C)</sup>	03-04 Total			<u>\$ 7,380,000</u>	<u>\$ 85,295,000</u>

*MISSING*  
 (A) COP 2001  
 (B) COP 2000 ← THEN REF BY SERIES H BONDS  
 (C) COP 2003

- ⊗ REFUNDED WITH COP 2000 ; HOWEVER, COP 2000 WAS REFUNDED WITH SERIES H BOND-95H
- ⊗ REFUNDED WITH COP 2001 ( LEFT OFF FOR UNKNOWN REASON )
- ⊙ COP REPORTED ON THE BOND SCHEDULE

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

The certificates mature through 2012 as follows:

Year Ending June 30,	Principal	Interest	Total
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	8,445,000	2,353,134	10,798,134
2009-2012	39,810,000	5,027,343	44,837,343
Total	<u>\$ 85,295,000</u>	<u>\$ 21,960,581</u>	<u>\$ 107,255,581</u>

**C. Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2003, amounted to \$1,177,042.

**D. 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, July 1, 2002	\$ 2,992,812
Payments	1,925,754
Balance, June 30, 2003	<u>\$ 1,067,058</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2004	\$ 375,442
2005	361,128
2006	87,727
2007	74,093
2008	74,093
2009-2010	148,186
Total	1,120,669
Less: Amount Representing Interest	53,611
Present Value of Minimum Lease Payments	<u>\$ 1,067,058</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2003**

**E. 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 \$307,633 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, 2003, are \$3,076,325.

**NOTE 10 - FUND BALANCES**

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 181,116	\$ -	\$ -	\$ -	\$ 181,116
Stores inventory	1,876,391	-	-	78,242	1,954,633
Prepaid expenditures	21,710	-	-	-	21,710
Restricted programs	9,120,887	-	-	-	9,120,887
<b>Total Reserved</b>	<b>11,200,104</b>	<b>-</b>	<b>-</b>	<b>78,242</b>	<b>11,278,346</b>
<b>Unreserved</b>					
<b>Designated</b>					
Economic uncertainties	11,967,617	-	-	-	11,967,617
Other designations	1,755,493	-	-	-	1,755,493
<b>Total Designated</b>	<b>13,723,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,723,110</b>
<b>Undesignated</b>	<b>-</b>	<b>82,243,034</b>	<b>32,270,610</b>	<b>48,552,475</b>	<b>163,066,119</b>
<b>Total Unreserved</b>	<b>13,723,110</b>	<b>82,243,034</b>	<b>32,270,610</b>	<b>48,552,475</b>	<b>176,789,229</b>
<b>Total</b>	<b>\$24,923,214</b>	<b>\$82,243,034</b>	<b>\$32,270,610</b>	<b>\$48,630,717</b>	<b>\$188,067,575</b>



# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### ***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 their 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.

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 \$635,976,693.

### ***NOTE 12 - RISK MANAGEMENT***

#### **A. Description**

The District's risk management activities are recorded in the Self-Insurance Funds. The purpose of the funds are to administer employee health, property and liability and workers' compensation programs of the Fresno Unified School District on a cost-reimbursement basis. These funds account 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.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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### 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, 2001 to June 30, 2003 (in thousands):

Liability Balance, June 30, 2001	\$ 18,461
Claims and changes in estimates	83,797
Claims payments	80,344
Liability Balance, June 30, 2002	<u>21,914</u>
Claims and changes in estimates	92,611
Claims payments	92,318
Liability Balance, June 30, 2003	<u>\$ 22,207</u>
Assets available to pay claims at June 30, 2003	<u>\$ 28,552</u>

### 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.

### 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 \$6,786,526. The balance of the liability for claims of \$11,152,702 has been recorded in the 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).

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### 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 2002-2003 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 years ending June 30, 2003, 2002, and 2001, were \$24,103,482, \$23,756,274, and \$22,750,160, 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 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 2002-2003 was 2.894 percent of annual payroll (decreasing to 2.771 percent of pay under a special funding situation effective with the February 2003 payroll period due to the State's direct reimbursement to CalPERS of the cost for certain legislated benefit increases in the plan). The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$2,245,815, \$0, and \$0, respectively, and equal 100 percent of the required contributions for each year.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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### 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 \$13,609,424 (4.475 percent of salaries subject to STRS) and contributions to PERS in the amount of \$90,419 (0.092 percent of salaries subject to PERS), for the year ended June 30, 2003. 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.

## *NOTE 14 - COMMITMENTS AND CONTINGENCIES*

### A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

### 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, 2003.

**FRESNO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

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**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, 2003, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Forkner Cafeteria	\$ 608,343	November 2003
McCardle Cafeteria	909,231	November 2003
Yosemite Library	526,129	May 2004
Edison All Weather Track	827,403	November 2003
Lane Parking Lot	10,153	July 2003
Delmar Parking Lot	3,650	July 2003
Pyle Parking Lot	2,400	August 2003
Roosevelt Modernization	30,406	August 2003
Lincoln Facilities Replacement	2,089,419	April 2004
Total	<u>\$ 5,007,134</u>	

***NOTE 15 - EXPENDITURES (BUDGET VERSUS ACTUAL)***

At June 30, 2003, none of the District major funds exceeded the budgeted amount.

***NOTE 16 - CHARTER SCHOOLS***

The District has granted and approved various charter schools pursuant to Education Code Section 47605.

The charter schools are required in their individual charter agreements to have an annual financial audit performed.

# FRESNO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### *NOTE 17 - BOND ANTICIPATION NOTE*

At July 1, 2002, the District had outstanding a Bond Anticipation Note in the amount of \$25,000,000, which matured on October 2, 2002. On August 28, 2002, the District issued a \$26,000,000 Bond Anticipation Note bearing interest at 1.30 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on August 27, 2003. By June 30, 2003, 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 an Investment and with the corresponding liability as an accounts payable.

	<u>Outstanding July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2003</u>
2002 3.00% TRANS	\$ 25,000,000	\$ -	\$25,000,000	\$ -
2003 1.30% TRANS	-	26,000,000	-	26,000,000
Total	<u>\$ 25,000,000</u>	<u>\$26,000,000</u>	<u>\$25,000,000</u>	<u>\$ 26,000,000</u>

### *NOTE 18 - SUBSEQUENT EVENTS*

The District issued a \$35,000,000 Bond Anticipation Note that yields 1.050 percent interest. The note was sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2004, until 100 percent of principal and interest due is on account in June 2004.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**FRESNO UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 363,485,187	\$ 365,042,120	\$ 364,434,085	\$ (608,035)
Federal sources	67,751,870	89,401,289	74,709,339	(14,691,950)
Other state sources	123,976,979	137,877,981	131,705,416	(6,172,565)
Other local sources	11,368,450	15,571,955	16,358,205	786,250
<b>Total Revenues</b>	<b>566,582,486</b>	<b>607,893,345</b>	<b>587,207,045</b>	<b>(20,686,300)</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	288,676,276	301,613,152	296,701,774	4,911,378
Classified salaries	86,693,161	88,659,595	86,843,343	1,816,252
Employee benefits	115,976,553	125,935,397	124,969,125	966,272
Books and supplies	32,779,944	52,434,885	31,434,064	21,000,821
Services and operating expenditures	46,162,536	47,819,368	42,381,733	5,437,635
Other outgo	1,701,049	4,531,126	2,189,089	2,342,037
Capital outlay	5,300,541	10,914,779	9,170,912	1,743,867
Debt service	2,957,049	2,071,383	1,974,680	96,703
<b>Total Expenditures</b>	<b>580,247,109</b>	<b>633,979,685</b>	<b>595,664,720</b>	<b>38,314,965</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(13,664,623)</b>	<b>(26,086,340)</b>	<b>(8,457,675)</b>	<b>17,628,665</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,740,132	2,740,132	2,784,518	44,386
Transfers out	(3,216,132)	(2,716,132)	(2,716,132)	-
<b>Net Financing Sources (Uses)</b>	<b>(476,000)</b>	<b>24,000</b>	<b>68,386</b>	<b>44,386</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(14,140,623)</b>	<b>(26,062,340)</b>	<b>(8,389,289)</b>	<b>17,673,051</b>
<b>Fund Balance - Beginning</b>	<b>33,312,503</b>	<b>33,312,503</b>	<b>33,312,503</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 19,171,880</b>	<b>\$ 7,250,163</b>	<b>\$ 24,923,214</b>	<b>\$ 17,673,051</b>

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

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*SUPPLEMENTARY INFORMATION*

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**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education - 321 Grant	84.002	03802	\$ 658,049
Adult Education - ESL Handicap	84.002	03303	392,136
Academy Tutoring	N/A	N/A	144,577
Ascend	N/A	N/A	26,875
Ag Challenge Grant	N/A	N/A	2,468
No Child Left Behind			
Title I - Basic [1]	84.010	03797	32,278,660
Title I - Capital Expenditures [1]	84.010	03797	266,895
Title I - Comprehensive School Reform [1]	84.010	03966	1,395,314
Title I - Even Start	84.213C	13700	158,699
Title II - Eisenhower Math and Science	84.281	03207	130,313
Title II - Improving Teacher Quality [1]	84.367	14341	4,900,182
Title III - Technology & Literacy	84.318	03285	1,603,029
Title III - Enhancing Education through Technology	84.318	14334	130,418
Title III - Immigrant	84.365	14346	64,848
Title III - LEP	84.365	10084	1,398,841
Title IV- Drug Free Schools	84.184	03453	469,712
Title VI - Innovative Strategies	84.298	03073	669,942
Title VI - Class Size Reduction	84.340	03340	927,994
Bilingual Education			
Access	84.003	10008	26,667
Child Care Children Center	84.335	03285	5,807
Charter School Grants	84.282	03150	75,000
Goals 2000			
Reading First	84.276	03822	3,025
K-12	84.276A	14379	25,000
Safe School/Healthy Students	N/A	N/A	983,739
Family Preservation	N/A	N/A	292,753
Foreign Language Assistance	N/A	N/A	187,151
Hmong Suicide Prevention	N/A	N/A	182,746
Local Reading Improvement	84.338	14155	1,311,491
Magnet School Assistance	84.156A	04052	2,484,547
Program Improvement	84.348	14106	36,676
Tutorial Assistance Grant	84.338	14185	552,429
Nutrition Network Grant	N/A	N/A	209,645
Indian Education	84.014	10011	213,853
Stewart McKinney Homeless Children	84.196	03697	181,704
Migrant Education			
Regular School 2001/02	84.011	03628	256,248
Summer School 2001/02	84.011	03628	326,291
Regular School 2002/03	84.011	03628	2,754,930
Summer School 2002/03	84.011	03628	821,307

[1] Major program under OMB Circular A-133 guidelines.

[2] National Food Distribution not recorded in District Financial Statements.

See accompanying note to supplementary information.

FRESNO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Special Education - State Grants [1]			
Local Assistance	84.027	03379	9,595,382
Low Incident	84.027	13459	36,795
Early Intervention	84.181	23761	94,228
Interpreter Certification	84.027	01802	15,015
Preschool Staff Development	84.173	03431	2,343
Staff Development [1]	84.027	03613	21,188
Idea Preschool [1]	84.027	03379	726,727
Idea LCI Growth	84.027	03143	41,666
Infant Discretionary [1]	84.027	03612	34,750
21st Century	84.287	10042	1,180,488
Improvement Education	N/A	N/A	82,230
Smaller Learning	84.215	03063	369,566
Mentoring Program	N/A	N/A	84,123
Urban Systemic Program	N/A	N/A	1,156,363
Vocational Educational Grants			
Carl Perkins	84.048	03569	968,119
Carl Perkins - Adult	84.048	03569	429,512
Passed through the Office of Public School Construction (OPSC):			
Federal Renovation Grant	84.352A	14318	16,395
Total U.S. Department of Education			<u>71,404,851</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Children's Center Food Program			
Child Development Center [1]	10.558	03755	702,414
National Food Distribution [1] [2]	10.550	03755	1,853,334
National School Lunch [1]	10.555	03755	22,171,377
Total U.S. Department of Agriculture			<u>24,727,125</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Development Infant/Toddler	93.575	03942	-
Child Development Quality Improvement	93.575	03641	37,550
Medi-Cal Option Billing [1]	93.767	10013	3,698,802
Total U.S. Department of Health & Human Services			<u>3,736,352</u>
U.S. DEPARTMENT OF LABOR			
Passed through CDE:			
WIA - Youth Collaborative	17.250	03770	1,061,205
WIA - Administration	17.255	03422	29,985
Total U.S. Department of Labor			<u>1,091,190</u>
Total Expenditures of Federal Awards			<u>\$ 100,959,518</u>

[1] Major program under OMB Circular A-133 guidelines.

[2] National Food Distribution not recorded in District Financial Statement

See accompanying note to supplementary information.

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2003**

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	5,635.78	5,669.13
First through third	18,229.06	18,242.67
Fourth through sixth	18,102.49	18,093.89
Seventh and eighth	11,024.19	10,998.33
Home and hospital	6.48	6.75
Community day school	44.40	46.44
Special education	1,501.18	1,510.30
Total Elementary	<u>54,543.58</u>	<u>54,567.51</u>
<b>SECONDARY</b>		
Regular classes	17,778.59	17,537.22
Continuation education	959.01	941.42
Home and hospital	6.75	7.07
Community day school	38.24	36.15
Special education	893.68	889.51
Total Secondary	<u>19,676.27</u>	<u>19,411.37</u>
Total K-12	<u>74,219.85</u>	<u>73,978.88</u>
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	194.49	206.78
Not concurrently enrolled	3,618.19	3,740.39
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	301.44	322.04
Total Classes for Adults	<u>4,114.12</u>	<u>4,269.21</u>
Grand Total	<u>78,333.97</u>	<u>78,248.09</u>
		<u>Hours of Attendance</u>
<b>SUMMER SCHOOL AND OTHER SUPPLEMENTARY PROGRAMS</b>		
Elementary		
Core Instruction		116,778
Remedial Instruction		366,324
Pupils Retained/Recommended for Retention		147,683
Pupils at Risk of Retention		118,351
Pupils with Low STAR Scores		61,401
Elementary Intensive Reading Program		236,424
High school		
Core Instruction		201,600
Remedial Instruction		475,150
Total Hours		<u>1,723,711</u>

See accompanying note to supplementary information.



**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2003**

Grade Level	1982-83	1986-87	2002-03	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,000	180	176	Complied
Grades 1 - 3	43,095	50,400	50,400	180	176	Complied
Grades 4 - 6	54,000	54,000	54,020	180	176	Complied
Grades 7 - 8	54,000	54,000	54,405	180	N/A	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, 2003**

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

	General Fund	Capital Facilities Fund	Building Fund
<b>FUND BALANCE</b>			
Balance, June 30, 2003, Unaudited Actuals	\$ 25,280,519	\$ 1,556,367	\$ 82,088,146
Adjustments and reclassifications:			
Cash	-	-	-
Accounts receivable	(357,305)	-	-
Accounts payable	-	(154,888)	154,888
Equipment	-	-	-
Balance, June 30, 2003, Audited Financial Statement	<u>\$ 24,923,214</u>	<u>\$ 1,401,479</u>	<u>\$ 82,243,034</u>
			<u>General Long- Term Debt Account Group</u>
<b>GENERAL LONG-TERM LIABILITIES</b>			
Total Liabilities, June 30, 2003, Unaudited Actuals			\$301,033,531
Adjustments			
Increase in:			
General obligation bonds			73,975,000
Workers' compensation			4,954,499
Decrease in:			
Capital Leases			(113,814)
Accumulated vacation			(392,347)
Total Liabilities, June 30, 2003, Audit Financial Statement			<u>\$379,456,869</u>

See accompanying note to supplementary information.

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Special Reserve- Capital Outlay Fund	Cafeteria Enterprise Fund
\$ 6,519,178	\$ 23,327,270
23,858	-
-	1,131,836
-	-
-	41,839
<u>\$ 6,543,036</u>	<u>\$ 24,500,945</u>

**FRESNO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2003**

	(Budget) 2004 <sup>1</sup>	2003	2002	2001
GENERAL FUND				
Revenues	\$ 579,161,982	\$ 587,207,045	\$ 572,377,949	\$ 539,644,443
Other sources and transfers in	3,995,467	2,784,518	9,188,438	2,037,879
Total Revenues and Other Sources	583,157,449	589,991,563	581,566,387	541,682,322
Expenditures	596,818,334	595,664,720	568,524,965	546,169,017
Other uses and transfers out	2,695,065	2,716,132	4,354,771	500,000
Total Expenditures and Other Uses	599,513,399	598,380,852	572,879,736	546,669,017
INCREASE (DECREASE) IN FUND BALANCE	\$ (16,355,950)	\$ (8,389,289)	\$ 8,686,651	\$ (4,986,695)
ENDING FUND BALANCE	\$ 8,567,264	\$ 24,923,214	\$ 33,312,503 *	\$ 24,625,852
AVAILABLE RESERVES <sup>2</sup>	\$ 6,482,047	\$ 11,967,617	\$ 16,128,184	\$ 9,865,912
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	1.10%	2.00%	2.82%	1.80%
LONG-TERM DEBT	\$ 364,500,000	\$ 379,456,869	\$ 314,076,695	\$ 221,522,192
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	74,664	74,220	73,581	71,870

\*Beginning Fund Balance was restated

The General Fund balance has increased by \$297,362 over the past two years. The fiscal year 2003-04 budget projects a decrease of \$16,355,950 (65.6 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). However, due to the financial condition of the State of California, the legislatures have authorized that district's need only maintain one half of the recommended available reserves for the fiscal years 2002/03 and 2003/04. This would equal to one percent for the Fresno Unified School District.

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2003-04 fiscal year. Total long-term debt has increased by \$157,934,677 over the past two years.

Average daily attendance has increased by 2,350 ADA over the past two years. Additional growth of 444 ADA is anticipated during the 2003-04 fiscal year.

1 Budget 2004 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, 2003

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### *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 Average Daily Attendance (ADA)**

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

#### **C. Schedule of Instructional Time**

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

#### **D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

#### **E. 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.

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*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, 2003, and have issued our report thereon dated October 24, 2003. 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*.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Fresno Unified School District in a separate letter dated October 24, 2003.

This report is intended 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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Ornel, Day & Co., LLP*

Fresno, California  
October 24, 2003



**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, 2003. 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 of 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, 2003.

Internal Control Over Compliance

The management of Fresno Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered 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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Urine, Day & Co., LLP*

Fresno, California  
October 24, 2003



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, 2003, and have issued our report thereon dated October 24, 2003. 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 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.

The management of Fresno Unified School District is responsible for the District's 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 State laws and regulations applicable to 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 district, 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	10	Yes
Option two classes	9	Not Applicable
Option one and two classes	14	Not Applicable
Program to reduce class size in two courses in grade 9	8	Yes
State Instructional Materials Fund:		
Instructional Materials Funding Realignment Program	9	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
Ratios of Administrative Employees to Teachers	3	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. 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, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Urine, Day & Co, LLP*

Fresno, California  
October 24, 2003

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**FRESNO UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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**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>None reported</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>84.367</u>	<u>Title II - Improving Teacher Quality</u>
<u>84.027</u>	<u>Special Education Cluster</u>
<u>10.550, 10.555, 10.558</u>	<u>Department of Agriculture Cluster</u>
<u>93.767</u>	<u>Medi-Cal</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,028,786</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>None reported</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, 2003**

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There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance related to the financial statements that were required to be reported in accordance with *Government Auditing Standards*.

**FRESNO UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance including questioned costs that were 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, 2003**

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There were no findings representing instances of noncompliance nor questioned costs relating to State program laws and regulations.

# FRESNO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

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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.

### Financial Statement Findings

2002-1 30000

#### *Cash*

#### Finding

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.

#### Current Status

Implemented

2002-2 30000

#### *ASSOCIATED STUDENT BODY*

#### *Internal Control and Financial Reporting*

#### Finding

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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

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State Award Findings

2002-3 40000

*K-3 Class Size Reduction*

Finding

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 average of 18.44 would be rounded down to 18 and an average of 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.

Current Status

Implemented

2002-4 40000

*Morgan-Hart 9th Grade Class Size Reduction*

Finding

In reviewing the District's schedule to determine the Full 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 9<sup>th</sup> grade classes totaled 4,111 FYEE, 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.

Current Status

Implemented