

IMPERIAL COMMUNITY COLLEGE DISTRICT

IMPERIAL COUNTY

IMPERIAL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2002

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INTRODUCTORY SECTION

IMPERIAL COMMUNITY COLLEGE DISTRICT INTRODUCTION

Introduction

The audit has the following objectives:

- To obtain reasonable assurance about whether the Imperial Community College District's general purpose financial statements are free of material misstatement.
- To consider the Imperial Community College District's internal control over financial reporting and compliance with requirements that could have a direct and material effect on a major federal program.
- To perform tests of 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.
- To determine with reasonable assurance that the Imperial Community College District complied with certain state regulatory requirements.
- To recommend appropriate actions to correct any deficiencies.



IMPERIAL VALLEY COLLEGE

P.O. Box 158, Imperial, California 92251
(760) 352-8320 FAX (760) 355-2663

President's Message
December 20, 2002

Attached you will find the 2001-2002 audited financial statements. The 2001-2002 fiscal year offered many challenges to Imperial Valley College. In spite of budgetary restrictions at the state level, IVC was able to maintain a balanced budget and a Board reserve of 6%.

Income was enhanced with funds from sources such as

• Partnership for Excellence	\$ 1,452,232
• VTEA (Vocational Education)	312,888
• State Lottery	609,110
• CalWORKS	612,449
• State Apportionment	11,576,599
• State Instructional Equipment Grant	68,772
• TANF	150,749
• Matriculation	366,371
• TTIP	210,675

The "winds of change" at this "oasis of intellectual stimulation" called Imperial Valley College, will bring exciting opportunities for IVC in the 2002 - 2003 fiscal year. IVC can look forward to hiring a new CEO and implementing a fully integrated accounting system. There is much work still ahead of us, but we can feel proud of our achievements.

I encourage you to read these financial statements. The finances of the College are the basis for all of our transactions and sound business practices are essential if we are to move forward.

Sincerely,

Jack Fujimoto, Ph.D.
Interim Superintendent/President

FINANCIAL SECTION

WILKINSON & HADLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
TEL (619) 447-6700 • FAX (619) 447-6707

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Imperial Community College District
Imperial, California**

We have audited the accompanying general purpose financial statements and the combining financial statements of the Imperial Community College District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Contracted District Audit Manual*, issued by the California Community College Chancellor's Office. 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 common with other community college districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements for the omission of the general fixed asset group of accounts, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Imperial Community College District at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each individual fund of the Imperial Community College District at June 30, 2002, and the results of operations of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002, on our consideration of the District's internal control over financial reporting and 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial and statistical 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the Imperial Community College District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the general purpose and combining financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "William C. [unclear]", written in a cursive style.

December 18, 2002

**IMPERIAL COMMUNITY COLLEGE DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002**

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
	General	Debt Service	Special Revenue	Capital Projects	Internal Service	Trust & Agency	General Long-Term Debt	
<u>Assets</u>								
Cash in County Treasury	\$2,383,449	\$10,581	\$ 94,053	\$ 2	\$317,609	\$ -	\$ -	\$2,805,694
Cash on Hand and in Banks	32,601	-	-	-	19,871	147,614	-	200,086
Cash in Revolving Fund	20,000	-	-	-	-	-	-	20,000
Accounts Receivable	1,728,439	-	25,032	-	-	-	-	1,753,471
Due From Other Funds	64,016	-	121,611	-	207,314	-	-	392,941
Amount Available in Debt Service Fund	-	-	-	-	-	-	10,581	10,581
Amount to be Provided for Long-Term Debt	-	-	-	-	-	-	836,030	836,030
Total Assets	<u>\$4,228,505</u>	<u>\$10,581</u>	<u>\$240,696</u>	<u>\$ 2</u>	<u>\$544,794</u>	<u>\$147,614</u>	<u>\$ 846,611</u>	<u>\$6,018,803</u>
<u>Liabilities and Fund Equity</u>								
<u>Liabilities:</u>								
Accounts Payable	\$ 562,240	\$ -	\$ 18,024	\$ -	\$ 42,257	\$ -	\$ -	\$ 622,521
Deferred Revenue	718,050	-	-	-	-	-	-	718,050
Due to Other Funds	323,362	-	5,563	-	64,016	-	-	392,941
Due to Students	-	-	-	-	-	60,669	-	60,669
Capital Lease Obligations	-	-	-	-	-	-	419,290	419,290
Compensated Absences	-	-	-	-	-	-	427,321	427,321
Total Liabilities	<u>1,603,652</u>	<u>-</u>	<u>23,587</u>	<u>-</u>	<u>106,273</u>	<u>60,669</u>	<u>846,611</u>	<u>2,640,792</u>
<u>Fund Equity:</u>								
Retained Earnings	-	-	-	-	438,521	-	-	438,521
Designated Fund Equity	2,624,853	10,581	217,109	-	-	-	-	2,852,543
Undesignated Fund Equity	-	-	-	2	-	86,945	-	86,947
Fund Equity	<u>2,624,853</u>	<u>10,581</u>	<u>217,109</u>	<u>2</u>	<u>438,521</u>	<u>86,945</u>	<u>-</u>	<u>3,378,011</u>
Total Liabilities and Fund Equity	<u>\$4,228,505</u>	<u>\$10,581</u>	<u>\$240,696</u>	<u>\$ 2</u>	<u>\$544,794</u>	<u>\$147,614</u>	<u>\$846,611</u>	<u>\$6,018,803</u>

The notes to the financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Trust & Agency Funds</u>	
Revenues:							
Revenues from Federal Sources	\$ 2,178,374	\$ -	\$ -	\$ -	\$ -	\$ 5,688,292	\$ 7,866,666
Revenues from State Sources	19,405,757	-	493,323	65,037	-	1,090,780	21,054,897
Revenues from Local Sources	<u>7,660,353</u>	<u>296</u>	<u>4,123</u>	<u>2</u>	<u>1,068,979</u>	<u>551,966</u>	<u>9,285,719</u>
Total Revenues	<u>29,244,484</u>	<u>296</u>	<u>497,446</u>	<u>65,039</u>	<u>1,068,979</u>	<u>7,331,038</u>	<u>38,207,282</u>
Expenditures:							
Expenditures:							
Academic Salaries	\$11,581,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$11,581,775
Classified Salaries	6,718,843	-	226,313	-	-	1,413	6,946,569
Employee Benefits	3,838,505	-	107,129	-	1,316,405	-	5,262,039
Books and Supplies	1,095,368	-	29,182	-	-	-	1,124,550
Contract Services and Operating Expenses	2,902,125	-	11,918	-	-	7,345,834	10,259,877
Capital Outlay	<u>2,520,784</u>	<u>-</u>	<u>14,064</u>	<u>65,037</u>	<u>-</u>	<u>-</u>	<u>2,599,885</u>
Total Expenditures	<u>28,657,400</u>	<u>-</u>	<u>388,606</u>	<u>65,037</u>	<u>1,316,405</u>	<u>7,347,247</u>	<u>37,774,695</u>
Excess of Revenues Over (Under) Expenditures	<u>587,084</u>	<u>296</u>	<u>108,840</u>	<u>2</u>	<u>(247,426)</u>	<u>(16,209)</u>	<u>432,587</u>
Other Financing Sources (Uses): Change in Estimates	<u>(168,853)</u>	<u>126</u>	<u>3,115</u>	<u>(59)</u>	<u>-</u>	<u>9,574</u>	<u>(156,097)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	418,231	422	111,955	(57)	(247,426)	(6,635)	276,490
Fund Balance, July 1, 2001	<u>2,206,622</u>	<u>10,159</u>	<u>105,154</u>	<u>59</u>	<u>685,947</u>	<u>93,580</u>	<u>3,101,521</u>
Fund Balance, June 30, 2002	<u>\$ 2,624,853</u>	<u>\$10,581</u>	<u>\$217,109</u>	<u>\$ 2</u>	<u>\$ 438,521</u>	<u>\$ 86,945</u>	<u>\$ 3,378,011</u>

The notes to the financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

(Page 1 of 2)

	General Fund			Special Revenue Fund			Debt Service Fund		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:									
Revenues from Federal Sources	\$ 2,424,647	\$ 2,178,374	\$ (246,273)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from State Sources	20,222,258	19,405,757	(816,501)	479,604	493,323	13,719	-	-	-
Revenue from Local Sources	<u>7,999,499</u>	<u>7,660,353</u>	<u>(339,146)</u>	<u>-</u>	<u>4,123</u>	<u>4,123</u>	<u>296</u>	<u>\$ 296</u>	<u>-</u>
Total Revenues	<u>\$30,646,404</u>	<u>\$29,244,484</u>	<u>\$(1,401,920)</u>	<u>\$479,604</u>	<u>\$497,446</u>	<u>\$ 17,842</u>	<u>\$ 296</u>	<u>\$ 296</u>	<u>\$ -</u>
Expenditures:									
Academic Salaries	\$11,281,573	\$11,581,775	\$(300,202)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Classified Salaries	7,059,126	6,718,843	340,283	253,807	226,313	27,494	-	-	-
Employee Benefits	4,226,802	3,838,505	388,297	72,621	107,129	(34,508)	-	-	-
Supplies and Materials	1,220,105	1,095,368	124,737	84,641	29,182	55,459	-	-	-
Contracted Services and Operating Expenses	3,259,218	2,902,125	357,093	47,535	11,918	35,617	-	-	-
Capital Outlay	<u>3,288,167</u>	<u>2,520,784</u>	<u>767,383</u>	<u>29,650</u>	<u>14,064</u>	<u>15,586</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>30,334,991</u>	<u>28,657,400</u>	<u>1,677,591</u>	<u>488,254</u>	<u>388,606</u>	<u>99,648</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>311,413</u>	<u>587,084</u>	<u>275,671</u>	<u>(8,650)</u>	<u>108,840</u>	<u>117,490</u>	<u>296</u>	<u>296</u>	<u>-</u>
Other Financing Sources (Uses): Change in Estimates	<u>(168,853)</u>	<u>(168,853)</u>	<u>-</u>	<u>3,115</u>	<u>3,115</u>	<u>-</u>	<u>126</u>	<u>126</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>142,560</u>	<u>418,231</u>	<u>275,671</u>	<u>(5,535)</u>	<u>111,955</u>	<u>117,490</u>	<u>422</u>	<u>422</u>	<u>-</u>
Fund Balance, July 1, 2001	<u>2,206,622</u>	<u>2,206,622</u>	<u>-</u>	<u>105,154</u>	<u>105,154</u>	<u>-</u>	<u>10,159</u>	<u>10,159</u>	<u>-</u>
Fund Balance, June 30, 2002	<u>\$ 2,349,182</u>	<u>\$ 2,624,853</u>	<u>\$ 275,671</u>	<u>\$ 99,619</u>	<u>\$ 217,109</u>	<u>\$117,490</u>	<u>\$10,581</u>	<u>\$10,581</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (Page 2 of 2)**

	<u>Capital Projects Fund</u>			<u>Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Revenues from Federal Sources	\$ -	\$ -	\$ -	\$ 2,424,647	\$ 2,178,374	\$ (246,273)
Revenues from State Sources	77,082	65,037	(12,045)	20,778,944	19,964,117	(814,827)
Revenue from Local Sources	<u>2</u>	<u>2</u>	<u>-</u>	<u>7,999,797</u>	<u>7,664,774</u>	<u>(335,023)</u>
Total Revenues	<u>\$ 77,084</u>	<u>\$ 65,039</u>	<u>\$ (12,045)</u>	<u>\$31,203,388</u>	<u>\$29,807,265</u>	<u>\$ (1,396,123)</u>
Expenditures:						
Academic Salaries	\$ -	\$ -	\$ -	\$11,281,573	\$11,581,775	\$ (300,202)
Classified Salaries	-	-	-	7,312,933	6,945,156	367,777
Employee Benefits	-	-	-	4,299,423	3,945,634	353,789
Supplies and Materials	-	-	-	1,304,746	1,124,550	180,196
Contracted Services and Operating Expenses	-	-	-	3,306,753	2,914,043	392,710
Capital Outlay	<u>77,082</u>	<u>65,037</u>	<u>12,045</u>	<u>3,394,899</u>	<u>2,599,885</u>	<u>795,014</u>
Total Expenditures	<u>77,082</u>	<u>65,037</u>	<u>12,045</u>	<u>30,900,327</u>	<u>29,111,043</u>	<u>1,789,284</u>
Excess of Revenues Over (Under) Expenditures	<u>2</u>	<u>2</u>	<u>-</u>	<u>303,061</u>	<u>696,222</u>	<u>393,161</u>
Other Financing Sources (Uses): Change in Estimates	<u>(59)</u>	<u>(59)</u>	<u>-</u>	<u>(165,671)</u>	<u>(165,671)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(57)</u>	<u>(57)</u>	<u>-</u>	<u>137,390</u>	<u>530,551</u>	<u>393,161</u>
Fund Balance, July 1, 2001	<u>59</u>	<u>59</u>	<u>-</u>	<u>2,321,994</u>	<u>2,321,994</u>	<u>-</u>
Fund Balance, June 30, 2002	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2,459,384</u>	<u>\$ 2,852,545</u>	<u>\$ 393,161</u>

The notes to the financial statements are an integral part of this statement

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Operating Revenues:	
Premiums	<u>\$1,056,283</u>
Operating Expenses:	
Employee Benefits	<u>1,316,405</u>
Operating Income (Loss)	(260,122)
Non-Operating Revenues:	
Interest Income	<u>12,696</u>
Net Income (Loss)	(247,426)
Retained Earnings, July 1, 2001	<u>685,947</u>
Retained Earnings, June 30, 2002	<u>\$ 438,521</u>

The notes to the financial statements are an integral part of this statement

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Internal Service Fund</u>
Operating Activities	
Net Income (Loss)	\$ (247,426)
Changes in Operating Assets and Liabilities	
(Increase) Decrease in:	
Due from Other Funds	(77,242)
Increase (Decrease) in:	
Accounts Payable	(12,910)
Due to Other Funds	<u>64,016</u>
Net Cash Used by Operating Activities	<u>(273,562)</u>
Increase (Decrease) in Cash	<u>(273,562)</u>
Cash, at Beginning of Year	<u>611,042</u>
Cash, at End of Year	<u>\$ 337,480</u>

The notes to the financial statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Except for the omission of fixed assets, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the National Council on Governmental Accounting and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. Except for the omission of fixed assets, the accompanying statements include all funds and account groups of the district.

The budgetary and financial accounts of the district have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

B. Reporting Entity

Imperial Community College District provides higher education in the County of Imperial, State of California.

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criterion for including a potential component unit is whether the governing board is financially accountable for the other entity. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

C. Fund Structure and Basis of Accounting

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

Governmental Funds:

- The General Fund is used to account for all financial transactions not accounted for in another fund.
- The Special Revenue Fund is used to account for specific revenues earmarked to finance the child development program and its activities.
- The Debt Service Fund is used to account for the payment of principal and interest on general long-term debt.
- The Capital Projects Fund is used to account for the acquisition or construction of all major general fixed assets.

Proprietary Funds:

- The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the district.

The *Fiduciary Funds* include the Trust and Agency Funds which are used to account for assets held by the district as trustee or agent.

The District acts as an agent in student aid programs. Federal programs such as College Work Study, Supplemental Educational Opportunity Grants, and Pell Grant Programs provide a major portion of the loan or grant proceeds, although other Federal, State, and Local programs contributed cash funds to a lesser extent.

Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or “financial flow,” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of “available spendable resources.” Thus, the fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District.

The *General Long-Term Debt Account Group* accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

E. Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

The Imperial Community College District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

G. Assets Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables.

3. Compensated Absences

In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the district. The current portion of the liabilities, if material, is recognized in the applicable fund at year-end. The noncurrent portion of the liabilities is recognized in the General Long-Term Debt Account Group.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

4. Long-Term Obligations

The district reports long-term debt of governmental funds at face value in the general long-term account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

5. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

6. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

7. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all college districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. These amount of on-behalf payments made for the District is estimated at \$451,973.

8. Fixed Assets

Although the District maintains a complete list of their equipment as required by Education Code Section 35168 and prescribed by good internal control, they have not, as with most community college districts, maintained historical cost records of all fixed assets, as required by generally accepted accounting principles.

9. Deferred Revenue

Deferred revenue arises when a 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.

10. Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

H. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

I. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Internal Service Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the district maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$2,805,694 as of June 30, 2002). The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks and in Revolving Fund

Cash balances on hand and in banks (\$200,086 as of June 30, 2002) and in the revolving fund (\$20,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

In accordance with GASB 31, investments in the Cash in County Treasury should be recorded at fair value. However, the District determined that the fair value approximates cost; therefore, no adjustment was made to reflect the difference.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

The term "short-term" refers to investments which have a remaining term of one year or less at a time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2002 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Federal government	\$ 438,275	\$ -	\$ 438,275
State government	1,242,111	25,032	1,267,143
Other local sources	<u>48,053</u>	<u>-</u>	<u>48,053</u>
Totals	<u>\$1,728,439</u>	<u>\$ 25,032</u>	<u>\$1,753,471</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2002 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 64,016	\$ 323,362
Internal service fund	207,314	64,016
Child development fund	<u>121,611</u>	<u>5,563</u>
Totals	<u>\$392,941</u>	<u>\$ 392,941</u>

NOTE 5 - LEASES

Capital Leases

The district leases various equipment under agreements which provide for bargain purchase options or for title to pass upon expiration of the lease periods. Future minimum lease payments are as follows:

<u>Fiscal Year Year Ending June 30</u>	<u>Lease Payment</u>
2003	\$155,137
2004	107,226
2005	101,378
2006	50,016
2007	43,775
Thereafter	<u>23,885</u>
Total	481,417
Less amount representing interest	<u>(62,127)</u>
Present value of net minimum lease payments	<u>\$419,290</u>

NOTE 6 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2002 is shown below:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$374,655	\$52,666	\$ -	\$427,321
Capital leases	<u>547,835</u>	<u>42,662</u>	<u>171,207</u>	<u>419,290</u>
Totals	<u>\$922,490</u>	<u>\$95,328</u>	<u>\$171,207</u>	<u>\$846,611</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue consists of grant monies that have been received but not expended as of June 30, 2002. As of June 30, 2002, the District's deferred revenue balance consists of the following:

	<u>General</u>
Federal	\$ 6,711
State	617,208
Local	<u>94,131</u>
Total	<u>\$718,050</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

Sick Leave

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, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

State and Federal Allowances, Awards and Grants

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

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees of the district 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).

Plan Description and Provisions

STRS:

Plan Descriptions

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-02 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to STRS for the fiscal year ending June 30, 2002, 2001, and 2000 were \$589,437, \$722,803, and \$714,635, respectively, and equal 100% of the required contributions for each year.

PERS:

Plan Description

The district contributes to the School Employer Pool under the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. 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 statute, as legislatively amended, within the Public Employees' Retirement Law. PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

NOTE 9- EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), 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 PERS Board of Administration. The required employer contribution rate for fiscal year 2001-02 was 0% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to CalPERS for the fiscal year ending June 30, 2002, 2001, and 2000 were \$0, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 10- JOINT VENTURES (Joint Powers Agreements)

The Imperial Community College District participates in two joint ventures under a joint powers agreement (JPA) with the County Schools Insurance Group. The relationship between the Imperial Community College District and the JPA is such that the JPA's is not a component unit of the Imperial Community College District for financial reporting purposes.

The JPA arranges for and provides workers compensation, health, property and liability insurance for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. Financial information for the JPA at June 30, 2002 was not available.

NOTE 11- RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Internal Service Funds. The purpose of the funds is to administer employee dental, property and liability, and workers' compensation insurance programs of the District.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12- POST-RETIREMENT HEALTH BENEFITS

The District provides various levels of health benefit coverage for eligible classified and certificated retirees. The retiree must have worked for the District for at least twelve years. The amount paid for these benefits in the fiscal year ended June 30, 2002, was \$512,719. The estimated cost for the 2002-03 fiscal year is \$486,636. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from the retirees.

NOTE 13- IMPERIAL VALLEY COLLEGE FOUNDATION

The Imperial Valley College Foundation, a California non-profit organization, is authorized to operate as an independent organization of the Imperial Valley Community College District in accordance with the provisions of the Education Code.

The Foundation assists the students of the Imperial Community College District by offering grants and other types of awards to students as well as providing some financial benefit to the District. Condensed financial information for the Imperial Valley College Foundation for the year ended June 30, 2002 is as follows:

Assets	\$1,772,342
Liabilities	<u>12,840</u>
Fund Equity	<u>\$1,759,502</u>
Revenues	\$ 443,019
Expenditures	<u>480,488</u>
Decrease in Fund Equity	<u>\$ 37,469</u>

NOTE 14- CHANGE IN ESTIMATES

Change in estimates represents adjustments to prior year accounts receivable for the difference between the amount of accounts receivable estimated and accrued at June 30, 2001 and the actual amount of accounts receivable subsequently collected in fiscal year 2001-02.

Additionally, change in estimates represents adjustments to prior year accounts payable for the difference between the amount of accounts payable estimated and accrued at June 30, 2001 and the actual amount of accounts payable subsequently paid in fiscal year 2001-02.

NOTE 15- SUBSEQUENT EVENTS

Tax and Revenue Anticipation Bonds

In July 2002, the District entered into the California Community College Financing Authority and issued 2002 Tax and Revenue Anticipation Bonds in the amount of \$3,780,000. The bonds were sold to supplement cash flow and yield 3.0% interest. The bonds mature on June 30, 2003 and repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 1, 2003 until 100% of interest due is paid on account by June 24, 2003.

Lease Revenue Bonds

In August 2002, the District entered into a trust indenture with the California Community College Financing Authority to issue lease revenue bonds in order to provide funds for public capital improvements. The bonds consist of Series 2002A bonds of which the District's portion of the issuance was \$3,370,000. Interest is payable August 1 of each year, commencing August 1, 2003 at rates ranging from 1.4% to 5.0%. Principal is payable August 1 of each year, commencing August 1, 2003 and through the maturity date August 1, 2017.

NOTE 16- EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Special Revenue Fund:	
Employee Benefits	\$ 34,508
General Fund:	
Academic Salaries	300,202

COMBINING FINANCIAL STATEMENTS

IMPERIAL COMMUNITY COLLEGE DISTRICT
AGENCY AND TRUST FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002

	<u>Trust Funds</u>			<u>Agency Funds</u>	<u>Totals</u>
	<u>District</u>	<u>Associated</u>	<u>Financial</u>	<u>Campus</u>	<u>(Memorandum</u>
	<u>Trust</u>	<u>Students</u>	<u>Aids</u>	<u>Organization</u>	<u>Only)</u>
<u>Assets</u>					
Cash in Bank	\$47,769	\$39,176	\$ -	\$60,669	\$147,614
Accounts Receivable	-	-	-	-	-
Total Assets	<u>\$47,769</u>	<u>\$39,176</u>	<u>\$ -</u>	<u>\$60,669</u>	<u>\$147,614</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Due to Students	\$ -	\$ -	\$ -	\$60,669	\$ 60,669
Accounts Payable	-	-	-	-	-
Total Liabilities	-	-	-	60,669	60,669
Fund Balances	<u>47,769</u>	<u>39,176</u>	-	-	<u>86,945</u>
Total Liabilities and Fund Balances	<u>\$47,769</u>	<u>\$39,176</u>	<u>\$ -</u>	<u>\$60,669</u>	<u>\$147,614</u>

The notes to the financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>District Trust</u>	<u>Associated Students</u>	<u>Financial Aids</u>	<u>Totals (Memorandum Only)</u>
Revenues:				
Federal Sources	\$ -	\$ -	\$5,688,292	\$5,688,292
State Sources	-	-	1,090,780	1,090,780
Local Sources	<u>322,054</u>	<u>30,051</u>	<u>101,350</u>	<u>453,455</u>
Total Revenues	<u>322,054</u>	<u>30,051</u>	<u>6,880,422</u>	<u>7,232,527</u>
Expenditures:				
Student Financial Aid	-	-	6,880,422	6,880,422
Classified Salaries	-	1,413	-	1,413
Scholarships and Other Expenses	<u>332,161</u>	<u>25,166</u>	-	<u>357,327</u>
Total Expenditures	<u>332,161</u>	<u>26,579</u>	<u>6,880,422</u>	<u>7,239,162</u>
Excess of Revenues Over (Under) Expenditures	(10,107)	3,472	-	(6,635)
Fund Balance, July 1, 2001	<u>57,876</u>	<u>35,704</u>	-	<u>93,580</u>
Fund Balance, June 30, 2002	<u>\$47,769</u>	<u>\$39,176</u>	<u>\$ -</u>	<u>\$ 86,945</u>

The notes to the financial statements are an integral part of this statement.

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
CAMPUS ORGANIZATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Balance July 1, <u>2001</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2002</u>
Assets:				
Cash in Bank	<u>\$70,243</u>	<u>\$98,511</u>	<u>\$108,085</u>	<u>\$60,669</u>
Liabilities:				
Due to Student Groups	<u>\$70,243</u>	<u>\$98,511</u>	<u>\$108,085</u>	<u>\$60,669</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
ORGANIZATION
JUNE 30, 2002**

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Rudy Cardenas, Jr.	President	November, 2003
Mr. Romualdo J. Medina	Clerk	November, 2003
Mr. Kelly Keithly	Member	November, 2005
Ms. Rebecca L. Ramirez	Member	November, 2005
Mr. Louis Wong	Member	November, 2003
Mrs. Marian A. Long	Member	November, 2003
Mr. Carlos Acuna	Member	November, 2005

EXECUTIVE AND SENIOR ADMINISTRATION

Dr. Jack Fujimoto
Interim Superintendent/President

Mr. Carlos Fletes
Vice President for Business Services

Mr. John Hunt
Interim Vice President for Academic Services

Dr. Victor Jaime
Vice President for Student Services

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
 ANNUALIZED ATTENDANCE AS OF JUNE 30, 2002**

<u>Categories</u>	<u>Reported and Audited Annual FTES</u>
Credit Full-Time Equivalent Student (FTES)	
Weekly Census	4,205.39
Actual Hours of Attendance	380.76
Independent Study/Work Experience	10.09
Summer Intersession	<u>436.65</u>
Total	<u>5,032.89</u>
Noncredit FTES	
Actual Hours of Attendance	-
Summer Session	<u>-</u>
Total	<u>-</u>
Credit Student Headcount	
Fall Session - 2001	7,223
Spring Session - 2002	7,620
Gross Square Footage Existing Facilities	261,426

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General</u>	<u>Other Trust</u>
June 30, 2002 Annual Financial and Budget Report (CCFS-311) Fund Balance	<u>\$ 2,384,217</u>	<u>\$ 60,669</u>
Adjustments and Reclassifications:		
Increase (Decrease) in Fund Balance:		
Understatement of accounts receivable	240,636	-
Reclass fund balance as a liability, due to student groups	<u>-</u>	<u>(60,669)</u>
June 30, 2002 Audited Financial Statements, Fund Balance	<u>\$ 2,624,853</u>	<u>\$ -</u>

All other fund balances at June 30, 2002 as reported on Form CCFS-311 are in agreement with the audited financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Pell Grant	84.063	-	\$5,361,969
Supplemental Educational Opportunity Grant	84.807	-	320,567
College Work Study	84.033	-	393,241
Upward Bound	84.047	-	286,645
Student Support Services	84.042	-	379,273
Talent Search	84.044	-	582,905
Tech Prep	84.048	-	38,169
Pell Administration	84.063	-	13,500
Passed through California Department of Education (CDE):			
VATEA-Title I C	84.048	03577	312,888
Passed through Southwestern Community College District:			
Small Business Administration	84.153	-	<u>147,469</u>
Total U.S. Department of Education			7,836,626
U.S. Department of Veterans Affairs:			
Veterans Education	64.116	-	<u>938</u>
U.S. Department of Agriculture:			
Nutrition Programs	10.555	-	<u>29,102</u>
Total Expenditures of Federal Awards			<u>\$7,866,666</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Imperial Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general-purpose financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Imperial Community College District did not provide any federal awards to subrecipients.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, this schedule was prepared for the District.

Schedule of Workload Measures for State General Apportionment

The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the Districts.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the Form CCFS-311 to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

WILKINSON & HADLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
TEL (619) 447-6700 • FAX (619) 447-6707

**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
Imperial Community College District
Imperial, California**

We have audited the financial statements of the Imperial Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. That report was qualified due to the omission of the general fixed asset account group from the financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Contracted District Audit Manual*, issued by the California Community College Chancellor's Office.

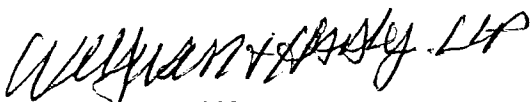
Compliance

As part of obtaining reasonable assurance about whether the 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 Imperial Community College 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 as described in the Schedule of Audit Findings and Questioned Costs.

This report is intended solely for the information of the Board of Trustees, the California Department of Education, the California Community College Chancellor's Office, management, and county, state, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



December 18, 2002

WILKINSON & HADLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
TEL (619) 447-6700 • FAX (619) 447-6707

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

**Board of Trustees
Imperial Community College District
Imperial, California**

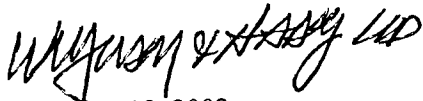
We have audited the general purpose financial statements of the Imperial Community College District for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. That report was qualified due to the omission of the general fixed assets account group from the financial statements. 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 California Community College Chancellor's Office *Contracted District Audit Manual*. 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 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 District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's March 1991 (with March 1993, May 1995, May 1996, May 1999, June 2000, and July 2001 revisions) transmittal of audit requirements for community colleges. The objective of the examination of compliance is to determine with reasonable assurance that the District complied with requirements for:

- Salaries of Classroom Instructors (50 % Law);
- Apportionment for Instructional Service Agreements/Contracts;
- Required Data Elements;
- Students Actively Enrolled;
- Uses of Matriculation Funds;
- EOP&S and DSP&S Allocation of Costs;
- EOP&S Administrator/ Director Requirements;
- GANN Limit Calculation;
- Enrollment Fees;
- Economic Development Program; and
- Scheduled Maintenance Program, of which 1995-1996 operations and maintenance of plant base expenditures were \$1,503,148.

The results of our auditing procedures disclosed no instances of noncompliance with the requirements referenced above. Based on our audit, we found that, for the items tested, Imperial Community College District complied with the laws and regulations referenced to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Imperial Community College District had not complied with the laws and regulations.

This report is intended solely for the information of the Board of Trustees, the California Community College Chancellor's Office, management, and county, state, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "W. J. HAYES, CPA".

December 18, 2002

WILKINSON & HADLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
TEL (619) 447-6700 • FAX (619) 447-6700

**AUDITOR'S 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
Imperial Community College District
Imperial, California**

Compliance

We have audited the compliance of the Imperial Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Imperial Community College District's management. Our responsibility is to express an opinion on Imperial Community College 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 the Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the district's compliance with those requirements.

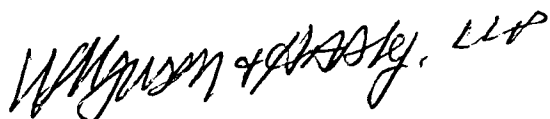
In our opinion, the Imperial Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the district is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 of the Board of Trustees, the California Department of Education, the California Community College Chancellor's Office, management, and county, state, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature in black ink, appearing to read "William J. Gasky, LLP".

December 18, 2002

FINDINGS AND RECOMMENDATIONS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2002**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:
CFDA Number

Name of Federal Program

84.063	Pell Grant Program
84.807	SEOG Program
84.033	College Work Study Program
84.048	VATEA-Title I C
84.042	Student Support Services
84.044	Talent Search

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

State Awards

Type of auditor's report issued on compliance for state programs:	Unqualified
Internal control over state programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No

Section II – Findings and Recommendations

**Finding 2002-1
Financial Statements Reporting**

Criteria/Specific Requirements

Internal accounting and administrative controls should be sufficient to ensure year-end financial statements are properly stated and materially correct.

Condition

In our original review of the financial statements and balance sheet, we noted amounts that did not reconcile to supporting documentation. Federal and state revenues were not reconciled to the amounts reported on Form CCFS-311 and various balance sheet amounts did not agree to support documentation. Also, the balance sheet disclosed incorrect amounts and many entries were not classified to the correct asset or liability account. Significant corrections had to be made by the District to the original balance sheet, as recommended by the auditors, in order for the amounts to be mathematically correct and disclosed within the proper asset and liability accounts.

Part of this recurring problem is due to the computer software system, which does not generate a true balance sheet. Every year the District has been preparing a manual balance sheet; however, numerous adjustments and corrections are being made after the initial audit due to many mathematical and classification errors that exist. In addition, the fund balances recorded on Form CCFS-311 do not reconcile to the fund balances as reported in the balance sheets prepared.

Questioned Costs

Not Applicable

Recommendation

We strongly recommend preparing a complete and accurate balance sheet that reflects fund balances that reconcile to Form CCFS-311 prior to filing. The balance sheet should be mathematically correct, reflect proper classification of assets and liabilities, and all components should reconcile to supporting documentation on file prior to the annual audit. In addition, all federal and state revenues reported in the system should be reconciled to the amounts included in Form CCFS-311.

Also, investigate the possibility of upgrading the computer system and acquiring a software package that generates a proper balance sheet. Preparing manual balance sheets continues to cause errors and miscalculations to the financial statements.

District Response

In 2001-02, Imperial Valley College contracted with Strata Information Group, Inc., a consulting firm, to analyze the current computer software system used on campus. Strata Information Group, Inc., coordinated a comprehensive review in coordination with shared governance procedures. At the December 2002 board meeting, the Board of Directors elected to procure a new computer system from SCT Corporation, a company specializing in community college software.

The accounting system is scheduled to be the first system implemented and will incorporate a fully integrated balance sheet. The chart of accounts will be redesigned to better coordinate with the completion of necessary reporting.

**Finding 2002-02
Revolving Cash****Criteria/Specific Requirements**

Proper internal controls require that the revolving cash account be reconciled to the actual fund balance as prescribed by the governing board on a monthly basis.

Condition

In our review of the revolving cash account, we noted that the account is not being reconciled to the \$20,000 fund balance on a monthly basis.

Questioned Costs

Not Applicable

Recommendation

Establish procedures to ensure the revolving cash account is reconciled to the actual fund balance on a monthly basis.

District Response

In the past, this fund was used for the clearing of merchant charges; however, in July of 2002, Imperial Valley College changed its procedures for utilizing the revolving fund account. Merchant charges were redirected to the holding account which was established for the purpose of wire transfers. Funds are deposited into the holding account and then deposited into the appropriate district account.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2002**

<u>Finding/ Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2001-1 Financial Statements Reporting</p> <p>Financial statement information did not agree to Form CCFS-311 and supporting records; a reconciled balance sheet was not available and significant corrections had to be made to the financial statements.</p> <p>Prepare a proper reconciliation of year-end accruals, revenues, and fund balances; prepare a complete and accurate balance sheet for audit purposes, and review all closing entries for accuracy.</p>	Not Implemented	See Current Year Finding
<p>2001-2 Checking Accounts</p> <p>Bank statements were not reconciled accurately and cash for student accounts was not properly reported on the balance sheet. In addition the revolving account was not being reconciled to the actual fund balance on a monthly basis.</p> <p>Implement procedures to ensure all bank accounts are accurately reconciled and properly reported on the balance sheet; reconcile the revolving account to the \$20,000 fund balance each month.</p>	Not Implemented	See Current Year Finding