

**COACHELLA VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Funds - Statement of Net Position	22
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	23
Proprietary Funds - Statement of Cash Flows	24
Fiduciary Funds - Statement of Net Position	25
Notes to Financial Statements	26

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	75
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	76
Schedule of the District's Proportionate Share of the Net Pension Liability	77
Schedule of the District Contributions	78
Note to Required Supplementary Information	79

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	81
Local Education Agency Organization Structure	83
Schedule of Average Daily Attendance	84
Schedule of Instructional Time	85
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	86
Schedule of Financial Trends and Analysis	87
Schedule of Charter Schools	88
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	90
General Fund Selected Financial Information	91
Cafeteria Fund Selected Financial Information	92
Note to Supplementary Information	93

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	96
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	98
Report on State Compliance	100

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	104
Financial Statement Findings	105
Federal Awards Findings and Questioned Costs	106
State Awards Findings and Questioned Costs	107
Summary Schedule of Prior Audit Findings	108
Management Letter	109

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Coachella Valley Unified School District
Thermal, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, in 2016, the District has elected to classify the Cafeteria Fund as governmental funds in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the District's proportionate share of net pension liability on and the schedule of District contributions on pages 75 through 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the Coachella Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coachella Valley Unified School District's internal control over financial reporting and compliance.

Varinek, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2016



COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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This section of Coachella Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information for June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Coachella Valley Unified School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Coachella Valley Unified School District.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District was able to maintain a strong ending balance in the combined General Fund. This resulted from careful control of expenditures. In the current, and past few years, the economic outlook has improved and now the District anticipates revenue to stabilize over the next few years.

The District refunded \$39 million in additional bonds under the 2005 authorization. A portion of these funds will be used to build new schools.

As has been the practice of the District, Coachella Valley Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget may not include all available revenues or expenditures related to categorical carryover, while the subsequent budget revisions and actual results reflect these carryovers.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$90.8 million for the fiscal year ended June 30, 2016. Of this amount, (\$157.2) million was unrestricted deficit. Restricted net position are reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 160.2	\$ 121.2
Capital assets	406.2	397.2
Total Assets	566.4	518.4
Deferred Outflows of Resources	43.3	14.5
Liabilities		
Current liabilities	14.9	14.5
Long-term obligations	310.9	266.8
Aggregate net pension liability	159.8	128.4
Total Liabilities	485.6	409.7
Deferred Inflows of Resources	33.3	36.7
Net Position		
Net investment in capital assets	210.1	216.6
Restricted	37.9	38.3
Unrestricted (Deficit)	(157.2)	(168.5)
Total Net Position	\$ 90.8	\$ 86.4

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 1.0	\$ 1.3
Operating grants and contributions	57.3	57.9
General revenues:		
Federal and State aid not restricted	166.1	130.4
Property taxes	43.7	39.6
Other general revenues	9.5	4.5
Total Revenues	277.6	233.7
Expenses		
Instruction-related	182.4	162.3
Student support services	39.7	33.3
Administration	14.8	12.6
Plant services	23.4	15.3
Other	12.9	13.0
Total Expenses	273.2	236.5
Change in Net Position	\$ 4.4	\$ (2.8)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$273.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$43.7 million because the cost was paid by those who benefited from the programs \$1.0 million or by other governments and organizations who subsidized certain programs with grants and contributions (\$57.3) million. We paid for the remaining "public benefit" portion of our governmental activities with \$166.1 million in Federal and State unrestricted funds and with other revenues, such as interest and general entitlements (\$9.5 million).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In Table 3, we have presented the cost and net cost of each of the District's largest functions - instruction, instructional-related activities, home-to-school transportation, other pupil services, general administration, plant services, facility acquisition and construction, interest on long-term obligations and all other functions. As discussed previously, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 156.7	\$ 140.3	\$ 124.5	\$ 104.7
Instruction-related activities	25.6	22.0	19.3	17.9
Home-to-school transportation	12.7	11.2	12.7	11.2
Other pupil services	27.0	22.1	11.2	6.0
General administration	14.8	12.6	12.5	10.6
Plant services	23.4	15.3	23.2	15.2
Interest on long-term obligations	10.4	11.6	10.4	11.6
Other	2.6	1.4	1.1	0.1
Total	\$ 273.2	\$ 236.5	\$ 214.9	\$ 177.3

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$145.7 million, which is an increase of \$38.7 million from last year (includes restatement of 11.1 million transfer of Cafeteria Fund).

Table 4

(Amounts in millions)	Fund Balance			
	As Restated July 1, 2015	Revenues	Expenditures	June 30, 2016
General Fund	\$ 19.0	\$ 236.3	\$ 218.6	\$ 36.7
Building Fund	48.9	44.9	22.5	71.3
Adult Education Fund	0.2	2.0	1.7	0.5
Child Development Fund	-	1.6	1.6	-
Cafeteria Fund	11.1	14.5	17.7	7.9
Deferred Maintenance Fund	1.2	0.5	1.4	0.3
Capital Facilities Fund	5.9	2.1	2.8	5.2
County School Facilities Fund	2.2	0.1	1.4	0.9
Special Reserve Fund for Capital Outlay Projects	6.2	4.2	3.5	6.9
Capital Project Fund for Blended Component Unit	0.2	0.1	-	0.3
Bond Interest and Redemption Fund	12.1	28.1	24.5	15.7
Total	\$ 107.0	\$ 334.4	\$ 295.7	\$ 145.7

The primary reasons for these increases/decreases are:

- The increase of \$17.7 million in the General Fund was a result of one-time funding and the increase of \$22.4 million in the Building Fund resulted from the issuance of new bonds and the planned spending of Measure X funds and other building projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to deal with changes brought about by anticipated increases or decreases in revenues and expenditures. The final budget revision to the adopted budget (estimated actuals) was adopted on June 14, 2016 (see page 75).

Significant revenue revisions made to the 2015-2016 budgets were due to revisions in various categorical programs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$406.2 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of just under \$9.0 million, or four percent, from last year (Table 5).

Table 5

(Amounts in millions)

	Governmental Activities	
	2016	2015
Land and construction in process	\$ 81.1	\$ 62.8
Buildings and improvements	310.4	316.5
Furniture and equipment	14.7	17.9
Total	\$ 406.2	\$ 397.2

Financing for these capital projects came from general obligation bonds, State construction match funding, certificates of participation, redevelopment revenues, and General Funds.

Long-Term Obligations

At the end of this year, the District had \$310.9 million in obligations versus \$266.8 million last year, an increase of \$44.1 million, or 17 percent. These obligations consisted of:

Table 6

(Amounts in millions)

	Governmental Activities	
	2016	2015
General obligation bonds, net (Financed with property taxes)	\$ 250.9	\$ 204.5
Certificates of participation, net	22.6	22.7
Lease refinancing	19.7	20.5
OPEB	15.0	12.0
Other	2.7	7.1
Total	\$ 310.9	\$ 266.8

The District's general obligation current bond rating is "A1". The State limits the amount of general obligation debt that Districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Net Pension Liability (NPL)

The District had an outstanding pension liability of \$159.8 million and \$128.4 million at June 30, 2016 and 2015, respectively, as a result of the adoption of GASB Statement No. 68, *Accounting and Reporting for Pensions*. The District has, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Gregory Fromm, Assistant Superintendent, Business and Finance, at Coachella Valley Unified School District, 87-225 Church Street, P.O. Box 847, Thermal, California, 92274, or e-mail at Gregory.Fromm@cvusd.us.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 145,327,406
Receivables	14,111,293
Prepaid expenses	924
Stores inventories	771,802
Capital assets:	
Land and construction in process	81,114,641
Other capital assets	459,152,281
Less: Accumulated depreciation	(134,070,577)
Total Capital Assets	<u>406,196,345</u>
Total Assets	<u><u>566,407,770</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,185,761
Deferred outflows of resources related to pensions	39,089,814
Total Deferred Outflows of Resources	<u><u>43,275,575</u></u>
LIABILITIES	
Accounts payable	9,965,705
Accrued interest payable	3,022,491
Unearned revenue	1,864,249
Long-Term Obligations:	
Current portion of long-term obligations other than pensions	7,386,130
Noncurrent portion of long-term obligations other than pensions	<u>303,515,852</u>
Total Long-Term Obligations	310,901,982
Aggregate net pension liability	<u>159,801,286</u>
Total Liabilities	<u><u>485,555,713</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>33,296,365</u>
NET POSITION	
Net investment in capital assets	210,115,001
Restricted for:	
Debt service	12,655,694
Capital projects	6,098,027
Educational programs	9,350,147
Other activities	9,781,059
Unrestricted (Deficit)	<u>(157,168,661)</u>
Total Net Position	<u><u>\$ 90,831,267</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Change in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 156,700,811	\$ 42,229	\$ 32,103,475	\$ 7,049	\$ (124,548,058)
Instruction-related activities:					
Supervision of instruction	5,104,854	-	2,617,559	-	(2,487,295)
Instructional library, media and technology	193,058	-	64,382	-	(128,676)
School site administration	20,293,592	3,491	3,615,082	-	(16,675,019)
Pupil services:					
Home-to-school transportation	12,736,581	-	-	-	(12,736,581)
Food services	16,837,425	219,285	13,758,425	-	(2,859,715)
All other pupil services	10,183,313	256	1,859,536	-	(8,323,521)
General administration:					
Data processing	4,113,866	-	-	-	(4,113,866)
All other general administration	10,701,080	12,675	2,336,369	-	(8,352,036)
Plant services	23,358,742	4,115	165,287	-	(23,189,340)
Ancillary services	56,107	-	56,107	-	-
Community services	274	-	-	-	(274)
Enterprise services	669	-	-	-	(669)
Interest on long-term obligations	10,438,380	-	-	-	(10,438,380)
Other outgo	2,473,583	674,528	724,477	-	(1,074,578)
Total Governmental Activities	\$ 273,192,335	\$ 956,579	\$ 57,300,699	\$ 7,049	(214,928,008)
General Revenues and Subventions:					
					27,401,362
					12,237,245
					4,133,467
					166,096,322
					166,277
					9,287,708
					219,322,381
					Change in Net Position
					4,394,373
					Net Position - Beginning
					86,436,894
					Net Position - Ending
					\$ 90,831,267

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Deposits and investments	\$ 33,315,324	\$ 74,705,592	\$ 34,670,791	\$ 142,691,707
Receivables	9,960,344	87,560	4,059,078	14,106,982
Due from other funds	1,372,445	-	406,489	1,778,934
Prepaid expenditures	924	-	-	924
Stores inventories	16,267	-	755,535	771,802
Total Assets	<u>\$ 44,665,304</u>	<u>\$ 74,793,152</u>	<u>\$ 39,891,893</u>	<u>\$ 159,350,349</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,693,735	\$ 3,458,420	\$ 813,550	\$ 9,965,705
Due to other funds	406,640	-	1,374,123	1,780,763
Unearned revenue	1,829,249	-	35,000	1,864,249
Total Liabilities	<u>7,929,624</u>	<u>3,458,420</u>	<u>2,222,673</u>	<u>13,610,717</u>
Fund Balances:				
Nonspendable	67,191	-	757,560	824,751
Restricted	9,350,147	71,334,732	29,473,870	110,158,749
Committed	-	-	536,975	536,975
Assigned	-	-	6,900,815	6,900,815
Unassigned	27,318,342	-	-	27,318,342
Total Fund Balances	<u>36,735,680</u>	<u>71,334,732</u>	<u>37,669,220</u>	<u>145,739,632</u>
Total Liabilities and Fund Balances	<u>\$ 44,665,304</u>	<u>\$ 74,793,152</u>	<u>\$ 39,891,893</u>	<u>\$ 159,350,349</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds	\$ 145,739,632
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
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:	\$ 540,266,922
Accumulated depreciation is:	<u>(134,070,577)</u>
Net Capital Assets	406,196,345
Expenditures relating to refinancing of debt were recognized on the modified accrual basis, but are not recognized on the accrual basis.	4,185,761
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	14,064,941
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(3,022,491)
An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net position is:	2,641,839
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	4,845,443
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(10,983,321)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	521,733
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(2,655,347)

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2016**

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (159,801,286)
Long-term obligations are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	\$ 219,056,140	
Unamortized premium on general obligation bonds	10,460,046	
Certificates of participation	21,835,000	
Unamortized premium on certificates of participation	806,494	
Compensated absences	2,591,962	
Supplemental early retirement plan (SERP)	131,130	
2012 Lease refunding	10,790,000	
2013 Lease refunding	8,900,000	
Other postemployment benefits (OPEB)	15,021,799	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:		
	<u>21,309,411</u>	
Total Long-Term Obligations		<u>(310,901,982)</u>
Total Net Position - Governmental Activities		<u>\$ 90,831,267</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 179,940,406	\$ -	\$ -	\$ 179,940,406
Federal sources	19,330,278	-	13,816,293	33,146,571
Other State sources	27,925,989	-	3,669,009	31,594,998
Other local sources	9,113,963	250,750	18,317,641	27,682,354
Total Revenues	236,310,636	250,750	35,802,943	272,364,329
EXPENDITURES				
Current				
Instruction	136,476,901	-	2,566,589	139,043,490
Instruction-related activities:				
Supervision of instruction	4,728,996	-	223,675	4,952,671
Instructional library, media and technology	186,034	-	-	186,034
School site administration	19,734,577	-	280,468	20,015,045
Pupil services:				
Home-to-school transportation	12,014,579	-	-	12,014,579
Food services	3,154	-	16,682,656	16,685,810
All other pupil services	9,371,039	-	14,325	9,385,364
General administration:				
Data processing	4,065,515	-	-	4,065,515
All other general administration	9,579,072	-	945,117	10,524,189
Plant services	18,952,286	48,777	157,774	19,158,837
Facility acquisition and construction	303,214	18,711,237	6,497,442	25,511,893
Ancillary services	56,107	-	-	56,107
Community services	273	-	-	273
Other outgo	1,541,266	-	932,317	2,473,583
Enterprise services	468	-	-	468
Debt service				
Principal	-	3,665,344	6,730,000	10,395,344
Interest and other	-	32,988	7,588,794	7,621,782
Total Expenditures	217,013,481	22,458,346	42,619,157	282,090,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,297,155	(22,207,596)	(6,816,214)	(9,726,655)
Other Financing Sources (Uses):				
Transfers in	-	-	1,551,817	1,551,817
Other sources - proceeds from issuance of General Obligation bonds	-	44,616,989	12,478,011	57,095,000
Other sources - premium on issuance of General Obligation bonds	-	-	3,340,783	3,340,783
Transfers out	(1,551,817)	-	-	(1,551,817)
Other uses - payment to refunded General Obligation bond escrow agent	-	-	(11,960,871)	(11,960,871)
Net Financing Sources (Uses)	(1,551,817)	44,616,989	5,409,740	48,474,912
NET CHANGE IN FUND BALANCES	17,745,338	22,409,393	(1,406,474)	38,748,257
Fund Balances - Beginning	18,990,342	48,925,339	28,022,313	95,937,994
Restatement	-	-	11,053,381	11,053,381
Fund Balances - Ending	\$ 36,735,680	\$ 71,334,732	\$ 37,669,220	\$ 145,739,632

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds **\$ 38,748,257**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 21,922,052	
Depreciation expense	(12,944,819)	
Net Expense Adjustment		8,977,233

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. (3,008,560)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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, special termination benefits paid were more than the amounts added by \$469,599. Vacation earned was more than the amounts used by \$249,740. 219,859

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 3,806,428

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

2012 General Obligation Bonds, Series B	(5,865,000)
2015 General Obligation Refunding Bonds	(11,550,000)
2005 General Obligation Bonds, Series 2016-E	(39,680,000)

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Governmental funds report the effect of premiums and deferred charges on an issuance and 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:

Premium on issuance of general obligation bonds	\$ (3,340,780)	
Deferred amount of refunding of general obligation bonds	960,871	
Combined Adjustment	\$ (2,379,909)	

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not effect the Statement of Activities:

General obligation bonds	16,820,000
Certificates of participation	80,000
Lease refinancing	830,000

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	1,126,080	
Amortization of deferred amount on refunding	(269,841)	
Combined Adjustment	856,239	

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds, certificates of participation, and lease refinancing decreased by \$113,954, and second, \$3,786,791 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(3,672,837)

An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

212,663

Change in Net Position of Governmental Activities	\$ 4,394,373
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The accompanying notes are an integral part of these financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 2,635,699
Receivables	4,311
Due from other funds	1,829
Total Assets	<u>\$ 2,641,839</u>
 NET POSITION	
Restricted	<u>\$ 2,641,839</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	\$ 1,592,256
OPERATING EXPENSES	
Payroll costs	1,762,217
Professional and contract services	(365,908)
Total Operating Expenses	<u>1,396,309</u>
Operating Income	<u>195,947</u>
NONOPERATING REVENUES	
Interest income	16,716
Change in Net Position	212,663
Total Net Position - Beginning	<u>2,429,176</u>
Total Net Position - Ending	<u><u>\$ 2,641,839</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	1,589,352
Cash payments to employees for services	(1,762,217)
Cash payments for interfund services	(7,642)
Net Cash Used in Operating Activities	<u>(180,507)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>16,716</u>
 Net Decrease in Cash and Cash Equivalents	(163,791)
Cash and Cash Equivalents - Beginning	<u>2,799,490</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 2,635,699</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	\$ 195,947
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Receivables	(1,381)
Due from other fund	(1,523)
Claim liabilities	(373,550)
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (180,507)</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 678,913
LIABILITIES	
Accounts payable	\$ 2,373
Due to student groups	676,540
Total Liabilities	<u>\$ 678,913</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Coachella Valley Unified School District (the District) was organized on July 1, 1973, 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 fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two four-year high schools, one continuation high school, an adult education extension program, eleven Head Start classrooms, one Early Head Start classroom, four State preschool classrooms, and eight childcare centers. There were no boundary changes during the year.

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

Component Units

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

The District has financial and operational relationships with the Coachella Valley Unified School District Property Acquisition Corporation (PAC) which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as component units of the District. Accordingly, the financial activities of the PAC have been included in the Capital Project Fund for Blended Component Units of the District's financial statements.

Other Related Entities

The District has approved a charter for the NOVA Academy Charter School pursuant to *Education Code* Section 47605. The NOVA Academy Charter School is operated by a separate governing board and is not considered a component unit of the District. The District receives revenue on behalf of the NOVA Academy Charter School which it passes on to the Charter. The NOVA Academy Charter School receives Federal and State funds for specific purposes that is subject to review and audit by grantor agencies.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

Non-Major Governmental Funds

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

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

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund and redevelopment agency funds for the City of La Quinta, Riverside County, and the City of Coachella monies for capital outlay purposes (*Education Code* Section 42840). In addition, the capital project and debt service activity for the 2003 Certificates of Participation (School Financing Project and East Coachella School Facilities Project) and the 2006 and 2006B Certificates of Participation is accounted for in the Special Reserve Fund for Capital Outlay Projects.

Capital Project Fund for Blended Component Units This fund is used to account for the acquisition of real property financed by the Coachella Valley Unified School District Property Acquisition Corporation which is considered a blended component unit of the LEA under Generally Accepted Accounting Principles (GAAP).

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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:

Internal Service Fund Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a dental and vision program that is accounted for in an internal service fund.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Basis of Accounting - Measurement Focus

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

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

Net position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their use.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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.

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. The District maintains a capitalization threshold of \$5,000. 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net position. 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 capital assets of governmental funds.

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/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. Premiums and discounts on issuance of long-term obligations, as well as issuance costs (deferred charges), are deferred and amortized over the life of the related debt using the effective interest method. Long-term obligations payable are reported net of the applicable premium or discount.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 and special termination benefits 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, certificates of participation and capital leases are recognized as liabilities in the governmental fund financial statements when due.

Debt Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report net position, restricted by enabling legislation of \$37.9 million.

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 food sales. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in 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. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Property Tax

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

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

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

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

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

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 145,327,406
Fiduciary funds	678,913
Total Deposits and Investments	<u><u>\$ 146,006,319</u></u>

Deposits and investments as of June 30, 2016, consisted of the following:

Cash on hand and in banks	\$ 1,110,078
Cash in revolving	52,025
Investments	144,844,216
Total Deposits and Investments	<u><u>\$ 146,006,319</u></u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	None	None
State Bonds and Notes	N/A	None	None
Federal Housing Administration Debentures (FHA)	N/A	None	None
Federal Home Administration Certificates (FmHA)	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations (FHLMC or "Freddie Mac")	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Obligations	3 years	None	None
Federal National Mortgage Association Obligations (FNMA or "Fannie Mae")	3 years	None	None
Student Loan Marketing Association Obligations (SLMA or "Sallie Mae")	N/A	None	None
Financing Corporation Obligations (FICO)	N/A	None	None
Resolution Funding Corporation Obligations (REFCORP)	3 years	None	None
General Housing Administration Certificates	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association	N/A	None	None
Small Business Administration Certificates	N/A	None	None
U.S. Department of Housing and Urban Development Bonds (HUD)	N/A	None	None
U.S. Maritime Administration Financings	N/A	None	None
Washington Metropolitan Area Transit Authority Bonds	N/A	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	270 days	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	N/A	None	None
State Sponsored Investment Pools (LAIF)	N/A	None	None
Forward Delivery Agreements	N/A	None	None
Guaranteed Pool Certificates	N/A	None	None
Riverside County Investment Pool	N/A	None	None
Export-Import Bank	N/A	None	None
Rural Economic Community Development Administration	N/A	None	None
Federal Financing Bank	N/A	None	None

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Authorized Under Debt Agreements, Continued

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Municipal Obligations	N/A	None	None
State General Obligations	N/A	None	None
Government Money Market Mutual Funds	1 year	None	None
California Asset Management Program (CAMP)	N/A	None	None
Deposit accounts, Federal Funds and Bankers' Acceptances with Domestic Commercial Banks	360 days	None	None
Deposits which are fully insured by Federal Deposit Insurance Corporation (FDIC)	N/A	None	None
Money Market Funds registered under the Federal Investment Company Act of 1941	N/A	None	None
Secured Certificates of Deposit	1 year	None	None
Federal Funds, Deposit Accounts or Bank Acceptances	1 year	None	None
Senior Debt Obligations of Other Government Sponsored Agencies approved in advanced by the Certificate Insurer	3 years	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Amortized Cost	Fair Value	Average Maturity in Days
Riverside County Investment Pool	\$ 144,844,216	\$ 145,061,490	402

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the District's investment in the Riverside County Investment Pool is not required to be rated, as of year-end it reflected an Aaa rating by Moody's Investors Service. Likewise, the First American Treasury Obligations Money Market Mutual Funds reflected an Aaa rating by Moody's Investors Service. The Investment Agreement was not rated, nor is required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$700,467 was insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund
Federal Government				
Categorical aid	\$ 3,474,571	\$ -	\$ 3,463,390	\$ -
State Government				
Categorical aid	642,889	-	538,025	-
Lottery	2,086,512	-	-	-
Special Education	3,553,860	-	-	-
Local Government				
Interest	51,701	83,810	28,837	4,311
Other Local Sources	150,811	3,750	28,826	-
Total	<u>\$ 9,960,344</u>	<u>\$ 87,560</u>	<u>\$ 4,059,078</u>	<u>\$ 4,311</u>

	Total Governmental Activities
Federal Government	
Categorical aid	\$ 6,937,961
State Government	
Categorical aid	1,180,914
Lottery	2,086,512
Special Education	3,553,860
Local Government	
Interest	168,659
Other Local Sources	183,387
Total	<u>\$ 14,111,293</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,201,723	\$ -	\$ -	\$ 32,201,723
Construction in process	30,631,510	18,281,408	-	48,912,918
Total Capital Assets Not Being Depreciated	62,833,233	18,281,408	-	81,114,641
Capital Assets Being Depreciated				
Land improvements	42,227,654	899,128	-	43,126,782
Buildings and improvements	369,973,529	2,554,251	-	372,527,780
Furniture and equipment	43,310,454	187,265	-	43,497,719
Total Capital Assets Being Depreciated	455,511,637	3,640,644	-	459,152,281
Less Accumulated Depreciation				
Land improvements	10,262,967	1,976,435	-	12,239,402
Buildings and improvements	85,271,308	7,762,613	-	93,033,921
Furniture and equipment	25,591,483	3,205,771	-	28,797,254
Total Accumulated Depreciation	121,125,758	12,944,819	-	134,070,577
Governmental Activities Capital Assets, Net	<u>\$ 397,219,112</u>	<u>\$ 8,977,233</u>	<u>\$ -</u>	<u>\$ 406,196,345</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 11,650,337
Home-to-school transportation	388,345
All other pupil services	517,793
Plant services	388,345
Total Depreciation Expenses Governmental Activities	<u>\$ 12,944,820</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2016, between major funds, non-major governmental funds and internal service funds are as follows:

Due From	Due To		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	1,372,445	\$ 1,372,445
Non-Major Governmental Funds	405,053	1,436	406,489
Internal Service Fund	1,587	242	1,829
Total	<u>\$ 406,640</u>	<u>\$ 1,374,123</u>	<u>\$ 1,780,763</u>

A balance of \$397,143 is due to the Non-Major Governmental Child Development Fund from the General Fund for a contribution.

A balance for \$53,311 is due to the General Fund from the Non-Major Governmental Adult Education Fund for reimbursement of program expenses.

A balance for \$700,000 is due to the General Fund from the Non-Major Child Development Fund for a temporary loan.

A balance for \$541,913 is due to the General Fund from the Non-Major Governmental Cafeteria Fund for reimbursement of program expenses.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

The General Fund transferred to the following Non-Major Governmental Funds:

Deferred Maintenance Fund for the State match and reimbursement of emergency repairs.	\$ 522,131
Child Development Fund as a contribution.	343,406
Special Reserve Fund for Capital Outlay Projects for RDA monies received.	686,280
Total	<u>\$ 1,551,817</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
LCFF apportionment	\$ 2,958,867	\$ -	\$ -	\$ 2,958,867	\$ -
Salaries and benefits	345,134	253	48,664	394,051	-
Supplies	457,776	87,658	50,901	596,335	-
Services	1,887,246	-	193,945	2,081,191	-
Capital Outlay	37,084	3,370,509	518,314	3,925,907	-
Other	7,628	-	1,726	9,354	2,373
Total	<u>\$ 5,693,735</u>	<u>\$ 3,458,420</u>	<u>\$ 813,550</u>	<u>\$ 9,965,705</u>	<u>\$ 2,373</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 1,140,877	\$ 35,000	\$ 1,175,877
State categorical aid	688,372	-	688,372
Total	<u>\$ 1,829,249</u>	<u>\$ 35,000</u>	<u>\$ 1,864,249</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 196,303,760	\$ 60,881,791	\$ 16,820,000	\$ 240,365,551	\$ 6,250,000
Premium on issuance	8,202,895	3,340,783	1,083,632	10,460,046	-
Certificates of participation	21,915,000	-	80,000	21,835,000	80,000
Premium on issuance	848,945	-	42,451	806,494	-
Capital leases	3,665,344	-	3,665,344	-	-
Accumulated vacation - net	2,342,222	249,740	-	2,591,962	-
Claim liabilities	373,550	-	373,550	-	-
Supplemental Early Retirement Plan (SERP)	600,729	-	469,599	131,130	131,130
2012 Lease refinancing	11,285,000	-	495,000	10,790,000	515,000
2013 Lease refinancing	9,235,000	-	335,000	8,900,000	410,000
Other postemployment benefits (OPEB)	12,013,239	5,943,570	2,935,010	15,021,799	-
	<u>\$ 266,785,684</u>	<u>\$ 70,415,884</u>	<u>\$ 26,299,586</u>	<u>\$ 310,901,982</u>	<u>\$ 7,386,130</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation and the 2012 and 2013 Lease Refinancing are made by the Special Reserve Fund for Capital Outlay Projects. Payments for capital leases will be paid by the fund for which the lease was entered into. The accrued vacation will be paid by the fund for which the employee worked. When an employee retires and is paid from categorical funds, any excessive vacation payoff not earned in the last year worked, will be paid from the General Fund. Payments for claims liability are made from the Self-Insurance Fund. Payments for the Supplemental Early Retirement Program are made from the General Fund. Other postemployment benefits are generally paid by the General Fund.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Bonds
					Outstanding July 1, 2015	Issued	Accreted	Redeemed	Outstanding June 30, 2016
1997 Series B	8/1/98	8/1/23	3.70-5.28%	\$ 9,999,278	\$ 11,549,115	\$ -	\$ 580,077	\$ 1,150,000	\$ 10,979,192
2005 Series A	8/19/05	8/1/30	3.00-5.09%	49,998,180	3,001,485	-	70,955	1,625,000	1,447,440
2005 Series B	2/7/07	8/1/31	4.00-5.00%	30,000,000	12,175,000	-	-	11,300,000	875,000
2005 Series C	5/12/10	8/1/43	6.82-10.51%	24,990,463	34,401,122	-	2,440,768	-	36,841,890
2010 Refunding	5/12/10	8/1/22	2.75-4.50%	6,560,000	4,635,000	-	-	520,000	4,115,000
2005 Series D	7/12/12	8/1/43	3.00-5.97%	54,999,882	55,892,038	-	694,991	400,000	56,187,029
2012 Series A	4/25/13	8/1/28	0.91-3.55%	20,255,000	19,255,000	-	-	1,585,000	17,670,000
2014 Refunding	1/23/14	8/1/28	1.50-5.00%	38,145,000	37,940,000	-	-	140,000	37,800,000
2014 Refunding, Series B	7/14/14	8/1/30	2.00-5.00%	17,455,000	17,455,000	-	-	100,000	17,355,000
2012, Series B	9/15/15	8/1/23	2.89-5.377%	5,865,000	-	5,865,000	-	-	5,865,000
2015 Refunding	9/15/15	8/1/31	1.50-5.25%	11,550,000	-	11,550,000	-	-	11,550,000
2005, Series E	6/2/16	8/1/45	2.00-4.00%	39,680,000	-	39,680,000	-	-	39,680,000
					<u>\$ 196,303,760</u>	<u>\$ 57,095,000</u>	<u>\$ 3,786,791</u>	<u>\$ 16,820,000</u>	<u>\$ 240,365,551</u>

1997 General Obligation Bonds, Series B

On August 1, 1998, the District issued the 1997 Series B current and capital appreciation General Obligation Bonds in the amount of \$9,999,278 (accreting to \$22,525,000) to fund school construction. The bonds have a final maturity to occur on August 1, 2023, with interest yields varying from 3.70 to 5.28 percent.

2005 General Obligation Bonds, Series A

On August 19, 2005, the District issued the 2005 Series A current and capital appreciation General Obligation Bonds in the amount of \$49,998,180 (accreting to \$52,140,000) to finance the construction, renovation and repair of District facilities. The bonds have a final maturity to occur on August 1, 2030, with interest yields varying from 3.00 to 5.09 percent. The District issued the 2014 General Obligation Refunding Bonds in the amount of \$38,145,000. The net proceeds from the Refunding Bonds were used to advance refund, a portion of the District's outstanding 2005 General Obligation Bonds, Series A. The District also issued the 2014 Refunding General Obligation Bonds, Series B in the amount of \$17,455,000. The net proceeds from the sale of the bonds were used to provide advance refunding a portion of the District's 2005 General Obligation Bonds, Series A and Series B in the amount of \$5,200,000 and \$11,850,000, respectively. As the advance refunding met the requirements of an in-substance defeasance, the associated assets and liability were removed from the District's financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2005 General Obligation Bonds, Series B

On February 7, 2007, the District issued the 2005 Series B General Obligation Bonds in the amount of \$30,000,000 to finance the construction, renovation, and repair of District facilities, to finance a portion of the interest due on the Bonds and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2031, with interest yields varying from 4.00 to 5.00 percent. The District issued 2014 Refunding General Obligation Bonds, Series B in the amount of \$17,455,000. The net proceeds from the sale of the bonds were used to provide advance refunding a portion of the District's 2005 General Obligation Bonds, Series A and Series B in the amount of \$5,200,000 and \$11,850,000, respectively. As the advance refunding met the requirements of an in-substance defeasance, the associated assets and liability were removed from the District's financial statements. At June 30, 2016, the unamortized premium on issuance was \$157,408.

2005 General Obligation Bonds, Series C

On May 12, 2010, the District issued the 2005 Series C General Obligation Bonds in the amount of \$24,990,463 to finance the construction, renovation, and repair of District facilities, to finance a portion of the interest due on the Bonds and to pay issuance costs. The bonds issued were capital appreciation bonds accreting to a maturing principal balance of \$143,307,445. The bonds have a final maturity to occur on August 1, 2043, with interest yields varying from 6.82 to 10.51 percent. At June 30, 2016, the unamortized premium on issuance was \$1,225,819.

2010 General Obligation Refunding Bonds

On May 12, 2010, the District issued the 2010 General Obligation Refunding Bonds in the amount of \$6,560,000. The bonds were issued to advance refund \$6,420,000 of the outstanding 1997 General Obligation Bonds, Series A. The bonds associated with the issuance were placed in an escrow account with U.S. Bank for the future redemption of Series A bonds to occur on August 1, 2010. The difference between the cash flows of the refunded debt and the new issuance was \$524,952. The economic gain (the difference between the present value of the refunded debt and new issuance) resulting from the refunding was \$410,889. The bonds have a final maturity to occur on August 1, 2022, with interest yields varying from 2.74 to 4.50 percent. At June 30, 2016, the unamortized premium on issuance was \$70,138.

2005 General Obligation Bonds, Series D

On July 12, 2012, the District issued the 2005 Series D General Obligation Bonds in the amount of \$54,999,882. The Series D Bonds represent the fourth series of the authorized bonds to be issued under the authorization as approved by voters. The bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting \$51,500,000, and maturing to an aggregate principal debt service balance of \$96,400,000. The bonds mature August 1, 2043, with interest yields of 3.00 to 5.97 percent. Proceeds from the bonds are used to finance the construction, renovation, and repair of District facilities, to finance a portion of the interest due on the Bonds and to pay issuance costs. At June 30, 2016, the unamortized premium on issuance was \$2,361,601.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2012 General Obligation Bonds, Series A

On April 25, 2013, the District issued the 2012 Series A General Obligation Bonds in the amount of \$20,255,000 to finance the purchase of technology equipment and the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2028, with interest yields varying from 0.91 to 3.55 percent.

2014 General Obligation Refunding Bonds

On January 23, 2014, the District issued the 2014 General Obligation Refunding Bonds in the amount of \$38,145,000. The bonds have a final maturity to occur on August 1, 2028, with interest rates from 1.50 to 5.00 percent. The net proceeds of \$40,843,187 (representing the principal amount of \$38,145,000, plus premium on issuance of \$2,698,187) from the issuance were used to advance refund the District's outstanding 2005 General Obligation Bonds, Series A and to pay the costs of issuance associated with the refunding bonds, with the prepayment to occur on August 1, 2015. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$2,699,088 over the life of the new debt and an economic gain of \$2,001,426 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.294 percent. At June 30, 2016, unamortized premium on issuance was \$2,120,004.

2014 Refunding General Obligation Bonds, Series B

On July 17, 2014, the Coachella Valley Unified School District issued 2014 Refunding General Obligation Bonds, Series B in the amount of \$17,455,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$18,727,640 (representing the principal amount of \$17,455,000 and premium of \$1,519,631, less cost of issuance of \$246,992). The bonds have a final maturity which occurs on August 1, 2030 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide advance refunding a portion of the District's 2005 General Obligation Bonds, Series A and Series B in the amount of \$5,200,000 and \$11,850,000, respectively. The refunding resulted in a cumulative cash flow saving of \$1,251,775 over the life of the new debt and an economic gain of \$944,716 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.13 percent. As of June 30, 2016, the unamortized premium on issuance and deferred amount on refunding were \$1,317,014 and \$1,482,325, respectively.

2012 General Obligation Bonds, Series B

On September 15, 2015, the Coachella Valley Unified School District issued 2012 General Obligation Bonds, Series B in the amount of \$5,865,000. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$5,652,599 (representing the principal amount of \$5,865,000, less cost of issuance of \$212,401). The bonds have a final maturity which occurs on August 1, 2023 with interest rates of 2.89 to 5.377 percent. Proceeds from the sale of the bonds are used to finance the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2015 General Obligation Refunding Bonds

On September 15, 2015, the Coachella Valley Unified School District issued 2015 General Obligation Refunding Bonds in the amount of \$11,550,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$11,960,871 (representing the principal amount of \$11,550,000 and premium of \$506,728, less cost of issuance of \$149,857). The bonds have a final maturity which occurs on August 1, 2031 with interest rates of 1.50 to 5.25 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2005 General Obligation Bonds, Series B in the amount \$11,000,000. The refunding resulted in a cumulative cash flow saving of \$839,335 over the life of the new debt and an economic gain of \$671,335 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.44 percent. As of June 30, 2016, the unamortized premium on issuance and deferred amount on refunding were \$520,676 and \$892,237, respectively.

2005 General Obligation Bonds, Series 2016-E

On June 2, 2016, the Coachella Valley Unified School District issued 2005 General Obligation Bonds, Series 2016-E in the amount of \$39,680,000. The bonds represent the fifth issuance from the 2005 election of bonds authorized not to exceed \$250,000,000. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$41,860,952 (representing the principal amount of \$39,680,000, plus premium on issuance of \$2,780,055, less cost of issuance of \$599,103). The bonds have a final maturity which occurs on August 1, 2045 with interest rates of 2.0 to 4.00 percent. Proceeds from the sale of the bonds are used to finance the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs.

At June 30, 2016, unamortized premium on issuance was \$2,687,386.

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2017	\$ 6,223,547	\$ 26,453	\$ 6,705,482	\$ 12,955,482
2018	9,649,596	95,404	6,999,280	16,744,280
2019	8,109,477	170,523	6,770,928	15,050,928
2020	6,517,847	252,153	6,565,146	13,335,146
2021	8,591,806	343,194	6,333,413	15,268,413
2022-2026	43,693,714	4,901,286	27,366,049	75,961,049
2027-2031	44,122,070	9,247,930	19,557,640	72,927,640
2032-2036	40,387,478	27,987,522	12,890,438	81,265,438
2037-2041	32,328,381	58,476,619	6,817,516	97,622,516
2042-2044	40,741,635	50,703,365	4,401,031	95,846,031
Total	\$ 240,365,551	\$ 152,204,449	\$ 104,406,923	\$ 496,976,923

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Certificates of Participation

The outstanding Certificates of Participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2015	Redeemed	Outstanding June 30, 2016
8/21/14	9/1/36	2.00%-5.00%	\$ 21,915,000	\$ 21,915,000	\$ 80,000	\$ 21,835,000

2014 Refunding Certificates of Participation

On September 16, 2014, the District issued 2014 Refunding Certificates of Participation in the amount of \$21,915,000. The refunding certificates were issued as current interest certificates. The certificates were issued at an aggregate price of \$22,373,491 (representing the principal amount of \$21,915,000 and premium of \$891,392, less cost of issuance of \$432,901). The certificates have a final maturity which occurs on September 1, 2036 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the certificates were used to provide advance refunding of the District's 2006B Certificates of Participation in the amount of \$22,500,000. The refunding resulted in a cumulative cash flow saving of \$3,234,207 over the life of the new debt and an economic gain of \$2,116,258 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.92 percent. As of June 30, 2016, the unamortized premium on issuance and deferred amount on refunding were \$806,497 and \$1,811,199, respectively.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 80,000	\$ 895,900	\$ 975,900
2018	90,000	894,200	984,200
2019	395,000	889,350	1,284,350
2020	605,000	876,325	1,481,325
2021	680,000	853,650	1,533,650
2022-2026	4,220,000	3,715,775	7,935,775
2027-2031	5,090,000	2,731,137	7,821,137
2032-2036	8,010,000	1,151,438	9,161,438
2037	2,665,000	53,300	2,718,300
Total	\$ 21,835,000	\$ 12,061,075	\$ 33,896,075

Capital Leases

The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2015	\$ 3,698,332
Payments	3,698,332
Balance, June 30, 2016	\$ -

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$2,591,962.

Claims Liability

Liabilities associated with health and welfare claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for health and welfare claims is reported in the Internal Service Fund. The outstanding claims liability was fully paid at June 30, 2016.

Supplemental Early Retirement Plans (SERP)

The District has offered supplemental early retirement plans (SERP) to its certificated and classified employees as part of the union contracts since 1984. Eligible employees who meet specific criteria for participation in SERP are provided an annuity to supplement the retirement benefits they are entitled to, through their respective retirement systems. The annuities offered to the employees are paid over a five-year period. Currently, 15 employees who have retired after 2003 have elected to receive these annuities, as purchased from United of Omaha and Principal Life Insurance.

Future annuity payments are as follows:

Year Ending	Total
June 30,	Payments
<u>2017</u>	<u>\$ 131,130</u>

2012 Lease Refinancing

On July 5, 2011, the District entered into a lease agreement with Banc of America Public Capital Corporation to advance funds of \$12,830,000. The lease refinancing has a final maturity of March 1, 2026, with an interest rate of 5.00 percent. The net proceeds of \$12,632,160 from the issuance (issuance of \$12,830,000 net of costs incurred on issuance of \$197,840) were used to current refund the District's outstanding 2006 Certificates of Participation (2006 School Financing Project), with the prepayment occurring July 7, 2011. Contributions from the 2006 Certificates of Participation reserve fund resulted in additional funds of \$1,271,025 placed with an escrow agent to satisfy prepayment of the remaining balance of the 2006 Certificates of Participation. The refinancing resulted in a cumulative cash flow increase of \$387,107 over the life of the new debt and an economic loss of \$6,312,170 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 5.00 percent.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The lease refinancing repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 515,000	\$ 533,125	\$ 1,048,125
2018	545,000	507,000	1,052,000
2019	570,000	479,500	1,049,500
2020	595,000	450,625	1,045,625
2021	625,000	420,500	1,045,500
2022-2026	7,940,000	1,594,125	9,534,125
Total	<u>\$ 10,790,000</u>	<u>\$ 3,984,875</u>	<u>\$ 14,774,875</u>

2013 Lease Refinancing

On September 1, 2013, the District entered into a lease agreement with Public Property Financing Corporation for \$9,475,000. The lease refinancing has a final maturity of September 1, 2031, with an interest rate of 4.15 percent. The net proceeds of \$12,632,160 from the issuance (issuance of \$9,475,000 net of costs incurred on issuance of \$100,865) used to current refund the District's outstanding 2003 Certificates of Participation (School Financing Project) and 2003 Certificates of Participation (East Coachella School Financing Project) with the prepayment occurring September 16, 2013. Contributions from the 2003 Certificates of Participation (School Financing Project) and 2003 Certificates of Participation (East Coachella School Financing Project) reserve funds resulted in additional funds of \$1,557,684 placed with an escrow agent to satisfy prepayment of the remaining balance of the certificates.

The repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 410,000	\$ 360,843	\$ 770,843
2018	850,000	334,698	1,184,698
2019	400,000	308,760	708,760
2020	300,000	294,235	594,235
2021	360,000	280,540	640,540
2022-2026	2,600,000	1,108,673	3,708,673
2027-2031	3,250,000	499,660	3,749,660
2032	730,000	15,146	745,146
Total	<u>\$ 8,900,000</u>	<u>\$ 3,202,555</u>	<u>\$ 12,102,555</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$6,275,242, and contributions made by the District during the year were \$2,935,010. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$371,347 and (\$703,019), respectively, which resulted in an increase to the net OPEB obligation of \$3,008,560. As of June 30, 2016, the net OPEB obligation was \$15,021,799. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 2,025	\$ 52,025
Stores inventories	16,267	-	755,535	771,802
Prepaid expenditures	924	-	-	924
Total Nonspendable	<u>67,191</u>	<u>-</u>	<u>757,560</u>	<u>824,751</u>
Restricted				
Legally restricted programs	9,350,147	-	7,451,815	16,801,962
Capital projects	-	71,334,732	6,343,870	77,678,602
Debt services	-	-	15,678,185	15,678,185
Total Restricted	<u>9,350,147</u>	<u>71,334,732</u>	<u>29,473,870</u>	<u>110,158,749</u>
Committed				
Adult education program	-	-	199,493	199,493
Deferred maintenance program	-	-	337,482	337,482
Total Committed	<u>-</u>	<u>-</u>	<u>536,975</u>	<u>536,975</u>
Assigned				
Capital projects	-	-	6,900,815	6,900,815
Unassigned				
	27,318,342	-	-	27,318,342
Total	<u>\$36,735,680</u>	<u>\$71,334,732</u>	<u>\$37,669,220</u>	<u>\$145,739,632</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Coachella Valley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 86 retirees and beneficiaries currently receiving benefits, and 1,864 active Plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Coachella Valley Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$2,935,010 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 6,275,242
Interest on net OPEB asset/obligation	371,347
Adjustment to annual required contribution	<u>(703,019)</u>
Annual OPEB cost (expense)	5,943,570
Contributions made	<u>(2,935,010)</u>
Increase in net OPEB asset/obligation	3,008,560
Net OPEB asset/obligation, beginning of year	<u>12,013,239</u>
Net OPEB asset/obligation, end of year	<u><u>\$ 15,021,799</u></u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Asset/Obligation
2014	\$ 4,844,381	\$ 2,958,111	61%	\$ 8,252,159
2015	6,078,788	2,317,708	38%	12,013,239
2016	5,943,570	2,935,010	49%	15,021,799

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
January 1, 2015	\$ -	\$ 20,767,166	\$ 20,767,166	0%	\$ 113,966,645	18%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In the January 1, 2015, actuarial valuation, the entry age normal method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The assumptions include a five percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefit payments. Healthcare cost trend rates reflected an ultimate rate of four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2016, was 22 years.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year ending June 30, 2016, the District participated in the Riverside Schools' Insurance Authority (RSIA) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the Riverside Schools Risk Management Authority (RSRMA) public entity risk pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in RSRMA. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Participation in RSRMA is limited to local educational agencies that can meet RSRMA selection criteria.

Employee Medical Benefits

The District purchases medical insurance from commercial insurance companies. Dental and vision benefits are self-insured by the District and accounted for in a separate internal service fund for self-insurance.

Claims Liabilities

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2014 to June 30, 2016:

	Dental and Vision
Liability Balance, June 30, 2014	\$ 381,182
Claims and changes in estimates	2,987,230
Claims payments	(2,994,862)
Liability Balance, June 30, 2015	373,550
Claims and changes in estimates	-
Claims payments	(373,550)
Liability Balance, June 30, 2016	<u>\$ -</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 116,584,701	\$ 22,089,295	\$ 20,637,487	\$ 9,358,614
CalPERS	43,216,585	17,000,519	12,658,878	3,529,689
Total	<u>\$ 159,801,286</u>	<u>\$ 39,089,814</u>	<u>\$ 33,296,365</u>	<u>\$ 12,888,303</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$9,376,015.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:	
District's proportionate share of net pension liability	\$ 116,584,701
State's proportionate share of the net pension liability associated with the District	61,660,455
Total	<u>\$ 178,245,156</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.173 percent and 0.168 percent, resulting in a net increase/decrease in the proportionate share of 0.005 percent.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$9,358,614. In addition, the District recognized pension expense and revenue of \$4,776,295 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 9,376,015	\$ -
Net change in proportionate share of net pension liability	3,527,499	-
Difference between projected and actual earnings on pension plan investments	9,185,781	18,689,329
Differences between expected and actual experience in the measurement of the total pension liability	-	1,948,158
Total	<u><u>\$ 22,089,295</u></u>	<u><u>\$ 20,637,487</u></u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
<u> </u>	<u> </u>
2017	\$ (3,933,331)
2018	(3,933,331)
2019	(3,933,331)
2020	2,296,445
Total	<u><u>\$ (9,503,548)</u></u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 263,224
2018	263,224
2019	263,224
2020	263,224
2021	263,224
Thereafter	263,221
Total	<u>\$ 1,579,341</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 176,033,824
Current discount rate (7.60%)	116,584,701
1% increase (8.60%)	67,177,682

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$4,688,926.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$43,216,585. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.2932 percent and 0.2690 percent, resulting in a net increase/decrease in the proportionate share of 0.0242 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$3,529,689. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,688,926	\$ -
Net change in proportionate share of net pension liability	2,743,838	1,425,895
Difference between projected and actual earnings on pension plan investments	7,097,864	8,577,637
Differences between expected and actual experience in the measurement of the total pension liability	2,469,891	-
Changes of assumptions	-	2,655,346
Total	<u>\$ 17,000,519</u>	<u>\$ 12,658,878</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (1,084,746)
2018	(1,084,746)
2019	(1,084,746)
2020	1,774,465
Total	<u>\$ (1,479,773)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 169,253
2018	169,254
2019	793,980
Total	<u>\$ 1,132,487</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 70,338,592
Current discount rate (7.65%)	43,216,585
1% increase (8.65%)	20,662,823

Alternative Retirement Program

The District also contributes to the Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$119,630, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$119,630, which was 3.75 percent of the covered payroll.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$7,160,624 (7.12589percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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, 2016.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
New District Education Community Sport Complex/Phase 1	\$ 16,471,817	July 1, 2017
Valle Del Sol Modular Classroom Building	761,444	November 20, 2016
Surveillance Project	384,023	June 1, 2017
Westside School Infrastructure Project	642,033	December 31, 2016
	<u>\$ 18,259,317</u>	

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Insurance Authority (RSIA) and the Riverside Schools Risk Management Authority (RSRMA) public entity risk pools. The District pays an annual premium to each entity for its workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2016, the District made payments of \$1,098,017 and \$6,336,000 to RSIA and RSRMA, respectively, for services received.

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCE

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Non-Major Governmental Funds

Fund Balance - Beginning	\$ 28,022,313
Reclassification of the Cafeteria Fund from Proprietary Fund to Governmental Fund	11,053,381
Fund Balance - Beginning, as Restated	<u>\$ 39,075,694</u>

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 176,035,191	\$ 176,969,124	\$ 179,940,406	\$ 2,971,282
Federal sources	26,461,345	26,602,791	19,330,278	(7,272,513)
Other State sources	8,236,614	19,679,395	27,925,989	8,246,594
Other local sources	7,131,859	7,990,536	9,113,963	1,123,427
Total Revenues ¹	217,865,009	231,241,846	236,310,636	5,068,790
EXPENDITURES				
Current				
Certificated salaries	89,233,729	92,988,518	88,627,579	4,360,939
Classified salaries	32,235,438	35,403,998	38,021,678	(2,617,680)
Employee benefits	53,311,645	54,475,820	59,517,732	(5,041,912)
Books and supplies	13,988,751	12,730,727	8,300,921	4,429,806
Services and operating expenditures	21,597,046	23,831,533	21,408,998	2,422,535
Capital outlay	1,623,680	430,720	540,423	(109,703)
Other outgo	603,364	608,465	596,150	12,315
Total Expenditures ¹	212,593,653	220,469,781	217,013,481	3,456,300
Excess (Deficiency) of Revenues Over Expenditures	5,271,356	10,772,065	19,297,155	8,525,090
Other Financing Uses:				
Transfers out	(1,349,095)	(1,526,754)	(1,551,817)	(25,063)
NET CHANGE IN FUND BALANCE	3,922,261	9,245,311	17,745,338	8,500,027
Fund Balance - Beginning	18,990,342	18,990,342	18,990,342	-
Fund Balance - Ending	\$ 22,912,603	\$ 28,235,653	\$ 36,735,680	\$ 8,500,027

¹ On behalf payments of \$7,160,624 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
May 1, 2010	\$ -	\$ 20,029,575	\$ 20,029,575	0%	\$ 97,681,039	21%
October 1, 2012	-	20,192,972	20,192,972	0%	103,343,722	20%
January 1, 2015	-	20,767,166	20,767,166	0%	113,966,645	18%

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.1730%</u>	<u>0.1675%</u>
District's proportionate share of the net pension liability	\$ 116,584,701	\$ 94,892,874
State's proportionate share of the net pension liability associated with the District	<u>61,660,455</u>	<u>59,111,944</u>
Total	<u><u>\$ 178,245,156</u></u>	<u><u>\$ 154,004,818</u></u>
District's covered - employee payroll	<u>\$ 81,010,529</u>	<u>\$ 75,059,672</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>143.91%</u>	<u>126.42%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.2932%</u>	<u>0.2690%</u>
District's proportionate share of the net pension liability	<u>\$ 43,216,585</u>	<u>\$ 30,537,951</u>
District's covered - employee payroll	<u>\$ 32,507,451</u>	<u>\$ 28,274,050</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>132.94%</u>	<u>108.01%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 9,376,015	\$ 7,193,735
Contributions in relation to the contractually required contribution	<u>(9,376,015)</u>	<u>(7,193,735)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 87,381,314</u>	<u>\$ 81,010,529</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 4,688,926	\$ 3,826,127
Contributions in relation to the contractually required contribution	<u>(4,688,926)</u>	<u>(3,826,127)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 39,568,996</u>	<u>\$ 32,507,451</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Indian Education	84.060A	[1]	\$ 14,928
Impact Aid	84.041	[1]	90,067
Passed through California Department of Education (CDE):			
Adult Education Grants:			
Adult Basic Education - ESL	84.002A	14508	125,774
Adult Basic Education - Adult Secondary Education	84.002A	13978	164,118
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	74,051
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	9,289,241
Title I, Part G - Advanced Placement Test Fee	84.330	14831	24,436
Title II, Part A - Improving Teacher Quality	84.367	14341	629,565
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	496,259
Title III - Limited English Proficiency	84.365	10084	1,101,192
Title III - Immigrant Education Program	84.365	15146	79,508
Subtotal for Title III Cluster			<u>1,180,700</u>
Vocational Education Grants			
Carl D. Perkins Career and Technical Education Improvement Act of 2006	84.048	14894	256,413
Passed through Riverside County Office of Education:			
Title I, Part C - Migrant Education	84.011	14326	1,394,187
Title I, Part C - Migrant Education Summer Program	84.011	10005	394,994
Passed through Riverside County SELPA:			
Special Education Cluster (IDEA):			
Local Assistance	84.027	13379	2,235,799
Federal Preschool	84.173	13430	50,428
Mental Health Allocation Plan, Part B	84.027A	14468	252,107
Supporting Inclusive Practices	84.027A	13693	21,505
Subtotal for Special Education Cluster (IDEA)			<u>2,559,839</u>
Total U.S. Department of Education			<u>16,694,572</u>

[1] Direct Award

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13390	\$ 2,329,348
National School Lunch Program	10.555	13523, 13524	8,093,321
Meal Supplements	10.555	13666	277,103
Food Distribution	10.555	13523, 13524	848,490
Summer Food Program	10.559	13004	159,467
Subtotal for Child Nutrition Cluster			<u>11,707,729</u>
Child and Adult Care Food Program	10.558	13665	1,297,796
Fresh Fruit and Vegetable Program	10.582	14968	408,287
Total U.S. Department of Agriculture			<u>13,413,812</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid Cluster:			
Passed through California Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	240,853
Passed through Riverside County Treasurer:			
Medical Administrative Activities Program	93.778	10060	162,546
Subtotal for Medicaid Cluster			<u>403,399</u>
Passed through Riverside County Office of Education [2]:			
Head Start Cluster:			
Head Start	93.600	10016	1,548,853
Early Head Start	93.600	10016	627,721
Subtotal for Head Start Cluster			<u>2,176,574</u>
Passed through CDE:			
Child Care Development (CCDF) Fund Cluster:			
California State Preschool Program	93.596	13609	71,900
General Child Care and Development Programs	93.575	15136	25,883
Subtotal for Child Care Development Cluster			<u>97,783</u>
Total U.S. Department of Health and Human Services			<u>2,677,756</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through CDE:			
AmeriCorps	94.006	10043	582,909
Total Expenditures of Federal Awards			<u>\$ 33,369,049</u>

[2] Does not include District in-kind contributions of \$801,521 to meet Federal matching requirements.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The Coachella Valley Unified School District was established in 1973 and consists of an area comprising approximately 1,250 square miles. The District operates fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two four-year high schools, one continuation high school, an adult education extension program, eleven Head Start classrooms, one Early Head Start classroom, four State preschool classrooms, and eight childcare centers. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Maria G. Machuca	President	2016
Lowell Kamper	Member	2016
Meagen Caress	Clerk	2018
Manuel Jarvis Martinez	Vice President	2016
Joe Murillo	Member	2016
Joey Acuna Jr.	Member	2018
Blanca Torres Hall	Member	2018

ADMINISTRATION

Dr. Darryl S. Adams	Superintendent
Gregory Fromm	Assistant Superintendent, Business and Finance
Jason Angle	Assistant Superintendent, Educational Services
Michelle Murphy	Executive Director, Technology Services
Alex Gonzales	Director, Special Education

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,819.12	5,857.78
Fourth through sixth	4,577.08	4,578.59
Seventh and eighth	2,847.30	2,842.75
Ninth through twelfth	4,649.73	4,554.48
Total Regular ADA	<u>17,893.23</u>	<u>17,833.60</u>
Extended Year Special Education		
Transitional kindergarten through third	4.42	4.42
Fourth through sixth	4.49	4.49
Seventh and eighth	1.39	1.39
Ninth through twelfth	2.86	2.86
Total Extended Year Special Education	<u>13.16</u>	<u>13.16</u>
Total ADA	<u><u>17,906.39</u></u>	<u><u>17,846.76</u></u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	58,200	180	N/A	In Compliance
Grades 1 - 3	50,400				
Grade 1		55,650	180	N/A	In Compliance
Grade 2		55,650	180	N/A	In Compliance
Grade 3		55,650	180	N/A	In Compliance
Grades 4 - 6	54,000				
Grade 4		55,650	180	N/A	In Compliance
Grade 5		55,650	180	N/A	In Compliance
Grade 6		55,650	180	N/A	In Compliance
Grades 7 - 8	54,000				
Grade 7		61,545	180	N/A	In Compliance
Grade 8		61,545	180	N/A	In Compliance
Grades 9 - 12	64,800				
Grade 9		64,800	180	N/A	In Compliance
Grade 10		64,800	180	N/A	In Compliance
Grade 11		64,800	180	N/A	In Compliance
Grade 12		64,800	180	N/A	In Compliance

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

	<u>Cafeteria Fund</u>
FUND BALANCE	
Balance, June 30, 2016,	
Unaudited Actuals	\$ 9,060,113
Decrease in:	
Accounts receivable	(1,163,333)
 Balance, June 30, 2016,	
Audited Financial Statement	<u><u>\$ 7,896,780</u></u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

	(Budget)			
	2017 ¹	2016	2015	2014
GENERAL FUND⁴				
Revenues	\$ 229,948,261	\$ 236,310,633	\$ 197,703,694	\$ 177,476,473
Expenditures	232,308,211	217,013,478	193,498,529	176,115,540
Other uses and transfers out	700,528	1,551,817	2,397,482	1,762,280
Total Expenditures and Other Uses	<u>233,008,739</u>	<u>218,565,295</u>	<u>195,896,011</u>	<u>177,877,820</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (3,060,478)</u>	<u>\$ 17,745,338</u>	<u>\$ 1,807,683</u>	<u>\$ (401,347)</u>
ENDING FUND BALANCE	<u>\$ 33,675,202</u>	<u>\$ 36,735,680</u>	<u>\$ 18,990,342</u>	<u>\$ 17,182,659</u>
AVAILABLE RESERVES²	<u>\$ 27,058,116</u>	<u>\$ 27,318,342</u>	<u>\$ 11,041,986</u>	<u>\$ 5,680,284</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	<u>11.82%</u>	<u>12.92%</u>	<u>5.76%</u>	<u>3.27%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 310,901,982</u>	<u>\$ 266,785,684</u>	<u>\$ 270,339,831</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2⁴	<u>17,915</u>	<u>17,906</u>	<u>18,006</u>	<u>17,803</u>

The General Fund balance has increased by \$19,553,021 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$3,060,478 (8 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$40,562,051 over the past two years.

Average daily attendance has increased by 103 over the past two years. Additional growth of 9 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$7,160,624, \$4,043,858, and \$3,945,698 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
NOVA Academy (Charter Number 121673)	No

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 166,522	\$ 352,790	\$ 4,437,199	\$ 390,547
Receivables	408,568	64,042	3,565,941	866
Due from other funds	2,003	397,143	7,343	-
Stores inventories	-	-	755,535	-
Total Assets	\$ 577,093	\$ 813,975	\$ 8,766,018	\$ 391,413
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 11,686	\$ 316	\$ 327,093	\$ 53,931
Due to other funds	53,319	778,659	542,145	-
Unearned revenue	-	35,000	-	-
Total Liabilities	65,005	813,975	869,238	53,931
Fund Balances:				
Nonspendable	-	-	757,560	-
Restricted	312,595	-	7,139,220	-
Committed	199,493	-	-	337,482
Assigned	-	-	-	-
Total Fund Balances	512,088	-	7,896,780	337,482
Total Liabilities and Fund Balances	\$ 577,093	\$ 813,975	\$ 8,766,018	\$ 391,413

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 5,603,372	\$ 904,559	\$ 6,891,774	\$ 245,843	\$ 15,678,185	\$ 34,670,791
9,043	1,577	9,041	-	-	4,059,078
-	-	-	-	-	406,489
-	-	-	-	-	755,535
<u>\$ 5,612,415</u>	<u>\$ 906,136</u>	<u>\$ 6,900,815</u>	<u>\$ 245,843</u>	<u>\$ 15,678,185</u>	<u>\$ 39,891,893</u>
\$ 420,524	\$ -	\$ -	\$ -	\$ -	\$ 813,550
-	-	-	-	-	1,374,123
-	-	-	-	-	35,000
<u>420,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,222,673</u>
-	-	-	-	-	757,560
5,191,891	906,136	-	245,843	15,678,185	29,473,870
-	-	-	-	-	536,975
-	-	6,900,815	-	-	6,900,815
<u>5,191,891</u>	<u>906,136</u>	<u>6,900,815</u>	<u>245,843</u>	<u>15,678,185</u>	<u>37,669,220</u>
<u>\$ 5,612,415</u>	<u>\$ 906,136</u>	<u>\$ 6,900,815</u>	<u>\$ 245,843</u>	<u>\$ 15,678,185</u>	<u>\$ 39,891,893</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ 363,943	\$ 97,783	\$ 13,354,567	\$ -
Other State sources	1,536,796	1,143,939	925,536	-
Other local sources	65,991	27,721	287,799	3,283
Total Revenues	<u>1,966,730</u>	<u>1,269,443</u>	<u>14,567,902</u>	<u>3,283</u>
EXPENDITURES				
Current				
Instruction	1,042,790	1,523,799	-	-
Instruction-related activities:				
Supervision of instruction	223,675	-	-	-
School site administration	270,501	9,967	-	-
Pupil Services:				
Food services	-	-	16,682,656	-
All other pupil services	14,325	-	-	-
General administration:				
All other general administration	52,272	77,222	815,623	-
Plant services	62,295	1,861	93,618	-
Facility acquisition and construction	-	-	132,606	1,418,867
Other outgo	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>1,665,858</u>	<u>1,612,849</u>	<u>17,724,503</u>	<u>1,418,867</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>300,872</u>	<u>(343,406)</u>	<u>(3,156,601)</u>	<u>(1,415,584)</u>
Other Financing Sources:				
Transfers in	-	343,406	-	522,131
Other sources - proceeds from issuance of general obligation bonds	-	-	-	-
Other sources - premium on issuance of general obligation bonds	-	-	-	-
Other uses - payment to refunded certificates of participation escrow agent	-	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>343,406</u>	<u>-</u>	<u>522,131</u>
NET CHANGE IN FUND BALANCES	300,872	-	(3,156,601)	(893,453)
Fund Balances - Beginning	211,216	-	-	1,230,935
Restatement	-	-	11,053,381	-
Fund Balances - Ending	<u>\$ 512,088</u>	<u>\$ -</u>	<u>\$ 7,896,780</u>	<u>\$ 337,482</u>

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,816,293
-	-	-	-	62,738	3,669,009
<u>2,120,770</u>	<u>105,786</u>	<u>3,473,685</u>	<u>26,005</u>	<u>12,206,601</u>	<u>18,317,641</u>
<u>2,120,770</u>	<u>105,786</u>	<u>3,473,685</u>	<u>26,005</u>	<u>12,269,339</u>	<u>35,802,943</u>
-	-	-	-	-	2,566,589
-	-	-	-	-	223,675
-	-	-	-	-	280,468
-	-	-	-	-	16,682,656
-	-	-	-	-	14,325
-	-	-	-	-	945,117
-	-	-	-	-	157,774
2,777,859	1,429,210	738,900	-	-	6,497,442
-	-	-	2,235	930,082	932,317
-	-	910,000	-	5,820,000	6,730,000
-	-	1,826,175	-	5,762,619	7,588,794
<u>2,777,859</u>	<u>1,429,210</u>	<u>3,475,075</u>	<u>2,235</u>	<u>12,512,701</u>	<u>42,619,157</u>
<u>(657,089)</u>	<u>(1,323,424)</u>	<u>(1,390)</u>	<u>23,770</u>	<u>(243,362)</u>	<u>(6,816,214)</u>
-	-	686,280	-	-	1,551,817
-	-	-	-	12,478,011	12,478,011
-	-	-	-	3,340,783	3,340,783
-	-	-	-	(11,960,871)	(11,960,871)
-	-	686,280	-	3,857,923	5,409,740
(657,089)	(1,323,424)	684,890	23,770	3,614,561	(1,406,474)
5,848,980	2,229,560	6,215,925	222,073	12,063,624	28,022,313
					11,053,381
<u>\$ 5,191,891</u>	<u>\$ 906,136</u>	<u>\$ 6,900,815</u>	<u>\$ 245,843</u>	<u>\$ 15,678,185</u>	<u>\$ 37,669,220</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2016

(Dollar amounts in thousands)

	Actual Results for the Years					
	2015-2016		2014-2015		2013-2014	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 19,330	8.2	\$ 16,686	8.6	\$ 19,452	11.0
State and local revenue included in Local Control Funding Formula	179,941	76.1	147,946	76.4	125,062	70.5
Other State revenue	27,925	11.8	19,908	10.3	23,993	13.5
Other local revenue	9,114	3.8	9,119	4.7	8,969	5.0
Total Revenues	<u>236,310</u>	<u>100.0</u>	<u>193,659</u>	<u>100.0</u>	<u>177,476</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	88,628	37.5	81,982	42.3	75,829	42.7
Classified salaries	38,022	16.1	31,213	16.1	25,509	14.4
Employee benefits	59,517	25.2	46,632	24.1	46,887	26.4
Total Salaries and Benefits	186,167	78.8	159,827	82.5	148,225	83.5
Books and supplies	8,301	3.5	9,786	5.1	7,267	4.1
Contracts and operating expenses	21,409	9.1	19,245	9.9	18,625	10.5
Capital outlay	540	0.2	268	0.1	1,616	0.9
Other outgo	596	0.3	329	0.2	382	0.2
Total Expenditures	<u>217,013</u>	<u>91.8</u>	<u>189,455</u>	<u>97.8</u>	<u>176,115</u>	<u>99.2</u>
EXCESS OF REVENUES OVER EXPENDITURES	19,297	8.2	4,204	2.2	1,361	0.8
OTHER FINANCING SOURCES (USES)						
Net transfers	<u>(1,552)</u>	<u>(0.7)</u>	<u>(2,397)</u>	<u>(1.3)</u>	<u>(1,762)</u>	<u>(1.0)</u>
INCREASE (DECREASE) IN FUND BALANCE	17,745	<u>7.5</u>	1,807	<u>0.9</u>	(401)	<u>(0.2)</u>
FUND BALANCE, BEGINNING	<u>18,990</u>		<u>17,183</u>		<u>17,584</u>	
FUND BALANCE, ENDING	<u>\$ 36,735</u>		<u>\$ 18,990</u>		<u>\$ 17,183</u>	

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

CAFETERIA FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2016

(Dollar amounts in thousands)

	Actual Results for the Years					
	2015-2016		2014-2015		2013-2014	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 13,355	91.6	\$ 11,878	88.8	\$ 11,888	88.1
State meal program	925	6.3	879	6.6	776	5.8
Food sales	233	1.6	567	4.2	774	5.7
Other	55	0.4	52	0.4	48	0.4
Total Revenues	<u>14,568</u>	<u>100.0</u>	<u>13,376</u>	<u>100.0</u>	<u>13,486</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	7,984	54.8	6,647	49.7	6,161	45.7
Food	6,133	42.1	4,629	34.6	4,665	34.6
Supplies	794	5.5	488	3.6	385	2.8
Other	2,813	19.3	1,267	9.5	699	5.2
Total Expenditures	<u>17,724</u>	<u>121.7</u>	<u>13,031</u>	<u>97.4</u>	<u>11,910</u>	<u>88.3</u>
INCREASE (DECREASE) IN NET POSITION	(3,156)	<u>(21.7)</u>	345	<u>2.6</u>	1,576	<u>11.7</u>
NET POSITION, BEGINNING, AS RESTATED	11,053		12,852		11,276	
NET POSITION, ENDING	<u>\$ 7,897</u>		<u>\$ 13,197</u>		<u>\$ 12,852</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>0.5</u>		<u>1.0</u>		<u>0.5</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2015-2016		2014-2015		2013-2014	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	283,421	9.9	262,829	9.8	252,951	9.7
Reduced price	359,687	12.6	336,749	12.5	323,614	12.4
Free	2,222,005	77.6	2,086,139	77.7	2,028,202	77.9
Total Lunches	<u>2,865,113</u>	<u>100.0</u>	<u>2,685,717</u>	<u>100.0</u>	<u>2,604,767</u>	<u>100.0</u>
BREAKFAST						
Paid	105,534	8.2	103,950	8.2	189,917	14.0
Reduced price	130,582	10.2	132,103	10.4	129,723	9.6
Free	1,044,251	81.6	1,032,564	81.4	1,035,040	76.4
Total Breakfast	<u>1,280,367</u>	<u>100.0</u>	<u>1,268,617</u>	<u>100.0</u>	<u>1,354,680</u>	<u>100.0</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 33,146,571
Medi-Cal Billing Option	93.778	<u>222,478</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 33,369,049</u></u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Cafeteria Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria fund for the past three years.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Coachella Valley Unified School District
Thermal, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coachella Valley Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Coachella Valley Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Coachella Valley Unified School District in a separate letter dated December 13, 2016.

Purpose of This Report

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

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2016



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

Governing Board
Coachella Valley Unified School District
Thermal, California

Report on Compliance for Each Major Federal Program

We have audited Coachella Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Coachella Valley Unified School District's (the District) major Federal programs for the year ended June 30, 2016. Coachella Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Coachella Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Coachella Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Coachella Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coachella Valley Unified School District's internal control over compliance.

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

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

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

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Coachella Valley Unified School District
Thermal, California

Report on State Compliance

We have audited Coachella Valley Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Coachella Valley Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Coachella Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Coachella Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Coachella Valley Unified School District's compliance with those requirements.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

The District does not have a Middle or Early College High Schools Program; therefore, we did not perform any procedures related to the Middle or Early College High Schools Program.

The District does not offer a Clean Energy Jobs Act Program; therefore, we did not perform any procedures related to the Clean Energy Jobs Act Program.

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

The District does not offer an Independent Study - Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

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

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>10.558</u>	<u>Child and Adult Care Food Program</u>
<u>93.600</u>	<u>Headstart Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,001,071</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement, Federal, and State awards findings.



Governing Board
Coachella Valley Unified School District
Thermal, California

In planning and performing our audit of the financial statements of Coachella Valley Unified School District (the District) for the year ended June 30, 2016, we considered its internal control structure 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 structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 13, 2016, on the financial statements of Coachella Valley Unified School District.

CAPITAL ASSETS

Observations

1. The District does not appear to have a standardized procedure to compile its capital assets additions. We noted that there are three departments (Purchasing, Facilities, and Child Nutrition) that are regularly engaged with the District's capital assets activities. While all three of the departments purchased capital assets, we observed that there is currently no coordinated effort to compile the activities in aggregate to ensure completeness of capital assets records for financial reporting.
2. While the District has captured some of the current year's capital assets additions for financial reporting purposes, the District did not include all capital assets transactions for current year's additions. In addition, the District appears to have included some activities originating from the Capital Lease equipment which was already recorded in the previous years.
3. Per our inquiry with the District's Purchasing Department, it appears that the District has not performed a physical inventory of capital assets in several years.

Recommendations

1. Consider drafting a formal procedure/policy to ensure that the District's capital assets responsibilities are documented. Written procedures/policies would allow the District's capital assets activities to continue in case of employee terminations/departures.
2. Delegate a primary and an alternate employee to maintain the District's capital assets accounting. These personnel should be responsible for coordinating the compilation of District-wide capital assets acquisitions throughout the year. It is also recommended that the District reconciles the additions to the expenditures coded to 85xx function and 6xxx object to ensure completeness.
3. Part of the written procedure should delineate a specific procedure pertaining to performing a physical inventory of the District's capital assets and the subsequent updating of the capital assets system. At a minimum, physical inventory of capital assets (especially equipment) should be performed bi-annually.

ASSOCIATED STUDENT BODY

Toro Canyon Middle School

Observations

During our review of associated student body procedures, the following issues were noted:

1. Cash collections are not supported by sub-receipts or logs consistently. Deposits related to fundraising or athletic events tested did not have sufficient documentation such as sub receipts or logs. Therefore, the auditor was not able to verify the accuracy and timeliness of the deposits.
2. Cash collections weren't being counted in the presence of multiple personnel. The person counting the cash should have at least one person beside them to ensure proper internal controls are in place.
3. Four of eight disbursements tested were not approved prior to transactions taking place.
4. Two of the eight disbursements reviewed did not have an appropriate invoice.
5. One of the eight disbursements reviewed did not have receiving documentation or indication that all items have been received. As a result, vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.
6. Two of the eight transactions reviewed did not have the required three approval signatures signifying that the purchase can be made.
7. Three of three revenue potential forms tested were incomplete. The revenue potential forms tested did not provide an explanation for the difference between the estimated and the actual.
8. One of three fundraisings tested was not preapproved. Request for fundraiser approval form was not approved prior to the event date.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. It is recommended that the ASB adhere to their established procedures related to cash count for ticketed event sales. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the ticket form for door and gate sales. If a dual cash count is not performed and the two parties end up with different totals, one of the parties may be suspected of wrongdoing.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. All ASB disbursements should be accompanied by supporting invoices or receipts which document the reasons and the amount being paid. Disbursements should not be made if supporting invoices or receipts are not present.

5. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
6. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are authorized by three individuals (ASB advisor, student body representative, and an administrator).
7. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
8. Fundraisings need to be pre-approved in order to determine whether or not it is allowable and beneficial to conduct the event. Approvers need to consider many issues such as student safety, whether these events could interfere with the normal conduct of the schools, or whether the event is appropriate for the education experience of the students.

Desert Mirage High School

Observations

During our review of associated student body procedures, the following issues were noted:

1. Cash collections are not supported by sub-receipts or logs consistently. Deposits related to fundraising or athletic events tested did not have sufficient documentation such as sub receipts or logs. Therefore, the auditor was not able to verify the accuracy and timeliness of the deposits.
2. Cash collections weren't being counted in the presence of multiple personnel. The person counting the cash should have at least one person beside them to ensure proper internal controls are in place.
3. The site was permitting students to purchase items on account. The auditor noted a significant balance of monies owed to the school as of the audit date. In addition, there does not seem to be a formal procedure in place to ensure that all the monies owed will be collected as of the end of the year
4. Five of the 21 disbursements tested were not approved prior to transactions taking place.
5. Five of the 21 disbursements reviewed did not have receiving documentation. As a result, vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.
6. One of the 21 transactions reviewed did not have the required three approval signatures signifying that the purchase can be made.
7. Revenue potential forms were not used to document and control fundraising activities as they occur. Two of the four fundraisings tested did not have "profit loss report for fundraising". In addition, two of the four revenue potential forms tested were incomplete. The revenue potential forms tested did not provide an explanation for the difference between the estimated and the actual.
8. One of four fundraisings tested was not preapproved. Request for fundraiser approval form was not approved prior to the event date.
9. Ticket sales recap form was not prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper.
10. Auditor noted \$600 of change fund for Athletic events were not recorded in the Balance Sheet as of the audit date.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. It is recommended that the ASB adhere to their established procedures related to cash count for ticketed event sales. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the ticket form for door and gate sales.
3. An agreement with the students should be made prior to permitting students to pay partial payment. The ASB should also establish a procedure to ensure all balance will be collected at the end of the year. Otherwise, students might enjoy the benefits of the items or services without even paying for them. The ASB could communicate with the registrar regarding the students' account balance and establish a control where the students would not be allowed to graduate if there is any remaining balance.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
5. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
6. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are authorized by three individuals (ASB advisor, student body representative, and an administrator).
7. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
8. Fundraisings need to be pre-approved in order to determine whether or not it is allowable and beneficial to conduct the event. Approvers need to consider many issues such as student safety, whether these events could interfere with the normal conduct of the schools, or whether the event is appropriate for the education experience of the students.
9. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.

10. A change account is normally checked out from the bookkeeper for individual fundraisers or activities and should be used solely for making change. When the fundraiser is complete, the change account should be deposited back into the bank account. If it is not deposited back into the bank account by the end of the year, ASB should properly reflect the cash in the Balance Sheet.

Oasis Elementary School

Observations

1. Out of five deposits tested, none contained sub-receipts, logs, or tickets to support the amount of cash deposited. Adequate receipting procedures are not in place for ASB cash collections.
2. Out of 10 disbursements tested, four were not preapproved. Five disbursements were for 2014-2015 expenses, but were paid in the current fiscal year due to the ASB's late submission of invoices and/or purchase order increase approvals to the District.
3. There appears to be weak management over fundraising events. One chocolate sales fundraising event was noted to have produced sales that were significantly lower than the amount that should have been generated based on units purchased. The poor performance of this fundraiser was due to boxes of chocolate being unsold, boxes given away without charge and sales that were recorded in the wrong ASB account.
4. Although there have been multiple fundraisers, there are no receipts, logs, tickets, or other relevant receipting documentation to support any cash received.
5. Actual revenues and expenditures were not documented for the three tested fundraisers.
6. One of the three tested fundraisers did not contain an approval request form.
7. The tested ticketed event was not supported by a ticket sales form, ticket control log, or ticket roll. Cash collected from the event could not be traced to any tickets and has not been supported by comparable documentation.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. The ASB should evaluate fundraising events before they occur to determine if they will be fiscally sound. Goods sold through fundraising events should be properly accounted for through the use of logs or similar receipting documentation. If possible, unsold goods should be returned to the vendor for a refund, goods should not be given away for free, and sales should be accounted for in the correct ASB account

4. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
5. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
6. Fundraisings need to be pre-approved in order to determine whether or not it is allowable and beneficial to conduct the event. Approvers need to consider many issues such as student safety, whether these events could interfere with the normal conduct of the schools, or whether the event is appropriate for the education experience of the students.
7. It is recommended that the ASB adhere to their established procedures related to cash count for ticketed event sales. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. A ticket sales form should be used to document beginning and ending ticket numbers, the number of tickets sold, the amount of cash received, and an explanation for any overages or shortages. The bookkeeper and the depositing party should both sign and date the ticket form for door and gate sales. A ticket control log should be used to document the beginning and ending ticket numbers for each ticket roll and ticket rolls should be kept in a secure location.

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

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2016