



KATHLEEN CONNELL
Controller of the State of California

December 21, 2000

Ms. Rosa Ferguson, Board President
Coachella Valley Unified School District
Post Office Box 847
Thermal, CA 92274

Dear Ms. Ferguson:

The State Controller's Office has completed a financial and compliance audit of the Coachella Valley Unified School District for the year ended June 30, 2000.

The audit disclosed several instances of non-compliance, including some that would affect the amount of average daily attendance funding the district received during the year. Pursuant to *Education Code* Section 41344, you have 60 days from receipt of this letter to appeal any apportionment significant audit finding or findings to the Education Audits Appeal Panel. The appeal should be submitted to the following address:

Education Audits Appeal Panel
c/o Department of Finance
915 L Street, 7th Floor
Sacramento, California 95814

If you have any questions, please call Walter Barnes, Chief Deputy State Controller, Finance, at (916) 445-7447.

Sincerely,

KATHLEEN CONNELL
California State Controller

- ☐ SACRAMENTO 300 Capitol Mall, Suite 1850, Sacramento, CA 95814 (916) 445-2636
☐ Mailing Address: P.O. Box 942850, Sacramento, CA 94250
☐ LOS ANGELES 600 Corporate Pointe, Suite 1150, Culver City, CA 90230 (310) 342-5678

bcc: Michael Keebler
State Appointed Trustee
Coachella Valley Unified School District
Colleen K. Gaynes
District Superintendent
Coachella Valley Unified School District
Lyle Stenfors
Assistant Superintendent, Business Services
Coachella Valley Unified School District
Rosa Ferguson
Board President
Coachella Valley Unified School District
Armando Paiz
Board Member
Coachella Valley Unified School District
Marguerite Freeman
Board Member
Coachella Valley Unified School District
Joey Acuña, Jr.
Board Vice President
Coachella Valley Unified School District
Gary Funtas
Board Member
Coachella Valley Unified School District
Michael Wells
Board Clerk
Coachella Valley Unified School District
David Long
County Superintendent of Schools
Riverside County Office of Education
Scott Hill
Chief Deputy Superintendent
Educational Policy, Finance, and Accountability
California Department of Education
Janet Sterling, Director
School Fiscal Services Division
California Department of Education
Sam Hull, Chief
Office of State Audits and Evaluation
Department of Finance
Senate Education Committee
Assembly Education Committee

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FINANCIAL SECTION

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KATHLEEN CONNELL
Controller of the State of California

Board of Trustees
Coachella Valley Unified School District
Post Office Box 847
Thermal, California 92274

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

The State Controller's Office has audited the accompanying general-purpose financial statements of the Coachella Valley Unified School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Coachella Valley Unified School District's management. The responsibility of the State Controller's Office is to express an opinion on these financial statements based on the audit.

The State Controller's Office conducted its audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the State Controller's Office plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The State Controller's Office believes that its audit provides a reasonable basis for its opinion.

The district has not maintained a complete record of its general fixed assets. Accordingly, a statement of the general fixed assets account group and a statement of changes in general fixed assets are not included in the general-purpose financial statements, as required by generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

The valuation method used to account for the warehouse stock inventory and the food service inventory is not in conformance with generally accepted accounting principles. It was determined that the change in the valuation method does not have a material effect on the financial statements.

In the opinion of the State Controller's Office, except for the omission of a statement of general fixed assets and for the improper inventory valuation, the general-purpose statements referred to above present fairly, in all material respects, the financial position of the Coachella Valley Unified School District as of June 30, 2000, and the results of its operations and the cash flow of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, the SCO has also issued a report dated December 15, 2000, on its consideration of Coachella Valley Unified School District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The State Controller's Office performed the audit for the purpose of forming an opinion on the general-purpose financial statements of Coachella Valley Unified School District, taken as a whole. The accompanying schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in the State Controller's opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



JEFFREY V. BROWNFIELD, CPA, Acting Chief
Division of Audits

December 15, 2000

Exhibit 1

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

	Government Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	Long-Term Debt	(Memorandum Only)
Assets								
Cash in county treasury (Note 2)	\$ 11,130,666	\$ 757,842	\$ 1,030,476	\$ 12,464,754	\$ 278,494	—	—	\$ 25,662,232
Cash in banks (Note 2)	—	491,704	—	—	—	\$ 409,820	—	901,524
Cash in revolving fund (Note 2)	20,000	200	—	—	—	—	—	20,200
Cash with fiscal agent (Note 2)	—	—	—	1,077,806	—	—	—	1,077,806
Cash collections awaiting deposit (Note 2)	65,280	2,457	—	246,358	567	—	—	314,662
Accounts receivable (Note 4)	3,018,075	1,057,704	—	247,280	2,033	—	—	4,325,092
Due from other funds (Note 5)	3,521,971	190,956	—	7,331,735	—	—	—	11,044,662
Inventories (Note 1G3)	125,172	184,135	—	—	—	—	—	309,307
Amount to be provided for retirement of general long-term debt	—	—	—	—	—	—	\$ 31,749,135	31,749,135
Amount available in other funds	—	—	—	—	—	—	1,793,727	1,793,727
Total assets	\$17,881,164	\$ 2,684,998	\$ 1,030,476	\$ 21,367,933	\$ 281,094	\$ 409,820	\$ 33,542,862	\$ 77,198,347
Liabilities and fund equity								
Liabilities:								
Accounts payable	\$ 1,022,878	\$ 666,624	—	\$ 319,173	—	—	—	\$ 2,008,675
Due to other funds (Note 5)	2,191,579	215,719	—	8,637,364	—	—	—	11,044,662
Other current liabilities	—	696	—	—	—	—	—	696
Due to student groups	—	—	—	—	—	\$ 385,069	—	385,069
Deferred revenue	2,119,248	—	—	556,478	—	—	—	2,675,726
Certificates of participation (Note 6)	—	—	—	—	—	—	\$ 6,270,000	6,270,000
Emergency apportionment loan (Note 9)	—	—	—	—	—	—	1,777,390	1,777,390
Compensated absences (Note 1G5)	324,095	—	—	—	—	—	577,171	901,266
General long-term debt (Note 7)	—	—	—	—	—	—	19,604,278	19,604,278
Capital lease (Note 8)	—	—	—	—	—	—	4,282,541	4,282,541
Supplemental early retirement plan (SERP) (Note 10)	—	—	—	—	—	—	1,031,482	1,031,482
Total liabilities	5,657,800	883,039	—	9,513,015	—	385,069	33,542,862	49,981,785
Fund equity:								
Reserved for revolving fund	20,000	200	—	—	—	—	—	20,200
Reserved for stores inventory	125,172	184,135	—	—	—	—	—	309,307
Reserved for scholarships	—	—	—	—	—	24,751	—	24,751
Reserved for economic uncertainties	2,120,198	—	—	—	—	—	—	2,120,198
Reserved for legally restricted balances	2,410,992	—	—	—	—	—	—	2,410,992
Designated for Lottery Act	1,487,475	—	—	—	—	—	—	1,487,475
Designated for future schools	1,028,075	—	—	—	—	—	—	1,028,075
Designated for K-12 ed. park operations	638,351	—	—	—	—	—	—	638,351
Designated for school repair	1,050,951	—	—	—	—	—	—	1,050,951
Designated for vacation payoff	100,000	—	—	—	—	—	—	100,000
Designated for vehicle replacement	200,000	—	—	—	—	—	—	200,000
Designated for KSL litigation	—	—	—	3,231,969	—	—	—	3,231,969
Undesignated fund balance	2,792,150	1,617,624	1,030,476	8,622,949	281,094	—	—	14,344,293
SSBF reconciliation	250,000	—	—	—	—	—	—	250,000
Total fund equity	12,223,364	1,801,959	1,030,476	11,854,918	281,094	24,751	—	27,216,562
Total liabilities and fund equity	\$17,881,164	\$ 2,684,998	\$ 1,030,476	\$ 21,367,933	\$ 281,094	\$ 409,820	\$33,542,862	\$ 77,198,347

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

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Exhibit 2

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Revenue limit sources:						
State apportionments	\$ 37,252,228	\$ 639,236	—	—	—	\$ 37,891,464
Local sources	10,162,360	—	—	—	—	10,162,360
Federal	6,993,171	3,816,647	—	—	—	10,809,818
Other state	12,363,917	2,234,598	\$ 13,013	—	—	14,611,528
Other local	5,339,142	766,605	985,519	\$ 3,870,728	\$ 4,904	10,966,898
Total revenues	72,110,818	7,457,086	998,532	3,870,728	4,904	84,442,068
Expenditures:						
Certificated salaries	31,575,350	1,115,296	—	—	—	32,690,646
Classified salaries	11,665,775	2,223,997	—	42,698	—	13,932,470
Employee benefits	10,750,877	1,026,359	—	8,470	—	11,785,706
Books and supplies	4,936,405	1,974,272	—	4,870	—	6,915,547
Services and other operating expenditures	5,295,546	129,056	—	942,011	3,047	6,369,660
Capital outlay	1,897,652	492,209	—	16,523,711	—	18,913,572
Other outgo	1,131,463	70,951	—	5,498	—	1,207,912
(Direct support)/indirect costs	(268,892)	268,892	—	—	—	—
Total expenditures	66,984,176	7,301,032	—	17,527,258	3,047	91,815,513
Excess (deficiency) of revenues over (under) expenditures	5,126,642	156,054	998,532	(13,656,530)	1,857	(7,373,445)
Other financing sources (uses):						
Other sources	—	—	—	4,580,896	—	4,580,896
Other financing sources	—	—	—	1,050,446	—	1,050,446
Operating transfers in (Note 5)	266,911	275,952	—	9,187,735	—	9,730,598
Operating transfers out (Note 5)	(2,056,042)	—	—	(7,674,555)	—	(9,730,597)
Other uses	(1,633,052)	—	(829,333)	(727,032)	—	(3,189,417)
Total other financing sources (uses)	(3,422,183)	275,952	(829,333)	6,417,490	—	2,441,926
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	1,704,459	432,006	169,199	(7,239,040)	1,857	(4,931,519)
Fund balances, July 1, 1999	10,518,905	1,369,953	861,277	19,093,958	22,894	31,866,987
Fund balances, June 30, 2000	\$ 12,223,364	\$ 1,801,959	\$ 1,030,476	\$ 11,854,918	\$ 24,751	\$ 26,935,468

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

Exhibit 3

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances — Budget and Actual
All Governmental Fund Types
Year Ended June 30, 2000**

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Revenue limit sources:						
State apportionments	\$38,109,821	\$37,252,228	\$ (857,593)	\$ 655,970	\$ 639,236	\$ (16,734)
Local sources	9,229,991	10,162,360	932,369	—	—	—
Federal	8,002,317	6,993,171	(1,009,146)	4,056,677	3,816,647	(240,030)
Other state	14,198,119	12,363,917	(1,834,202)	2,276,927	2,234,598	(42,329)
Other local	4,920,093	5,339,142	419,049	859,327	766,605	(92,722)
Total revenues	74,460,341	72,110,818	(2,349,523)	7,848,901	7,457,086	(391,815)
Expenditures:						
Certificated salaries	32,809,465	31,575,350	1,234,115	1,061,664	1,115,296	(53,632)
Classified salaries	11,942,097	11,665,775	276,322	2,194,969	2,223,997	(29,028)
Employee benefits	11,212,914	10,750,877	462,037	1,094,289	1,026,359	67,930
Books and supplies	8,725,327	4,936,405	3,788,922	2,124,448	1,974,272	150,176
Services and other operating expenditures	6,926,992	5,295,546	1,631,446	161,252	129,056	32,196
Capital outlay	3,131,407	1,897,652	1,233,755	844,558	492,209	352,349
Other outgo	1,102,605	1,131,463	(28,858)	69,703	70,951	(1,248)
(Direct support)/indirect costs	(305,479)	(268,892)	(36,587)	305,479	268,892	36,587
Total expenditures	75,545,328	66,984,176	8,561,152	7,856,362	7,301,032	555,330
Excess (deficiency) of revenues over (under) expenditures	(1,084,987)	5,126,642	6,211,629	(7,461)	156,054	163,515
Other financing sources (uses):						
Other sources	—	—	—	—	—	—
Other financing sources	—	—	—	—	—	—
Operating transfers in	—	266,911	266,911	265,775	275,952	10,177
Operating transfers out	(1,546,906)	(2,056,042)	(509,136)	—	—	—
Other uses	(1,633,052)	(1,633,052)	—	—	—	—
Total other financing sources (uses)	(3,179,958)	(3,422,183)	(242,225)	265,775	275,952	10,177
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(4,264,945)	1,704,459	5,969,404	258,314	432,006	173,692
Fund balances, July 1, 1999	2,420,831	10,518,905	8,098,074	(2,498)	1,369,953	1,372,451
Fund balances, June 30, 2000	\$ (1,844,114)	\$12,223,364	\$ 14,067,478	\$ 255,816	\$1,801,959	\$ 1,546,143

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

Exhibit 3

Debt Service Fund			Capital Projects Funds			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
—	—	—	—	—	—	\$ 38,765,791	\$ 37,891,464	\$ (874,327)
—	—	—	—	—	—	9,229,991	10,162,360	932,369
—	—	—	—	—	—	12,058,994	10,809,818	(1,249,176)
—	\$ 13,013	\$ 13,013	—	—	—	16,475,046	14,611,528	(1,863,518)
—	985,519	985,519	\$ 2,446,375	\$ 3,870,728	\$ 1,424,353	8,225,795	10,961,994	2,736,199
—	998,532	998,532	2,446,375	3,870,728	1,424,353	84,755,617	84,437,164	(318,453)
—	—	—	—	—	—	33,871,129	32,690,646	1,180,483
—	—	—	42,699	42,698	1	14,179,765	13,932,470	247,295
—	—	—	8,602	8,470	132	12,315,805	11,785,706	530,099
—	—	—	9,572	4,870	4,702	10,859,347	6,915,547	3,943,800
—	—	—	560,251	942,011	(381,760)	7,648,495	6,366,613	1,281,882
—	—	—	24,450,468	16,523,711	7,926,757	28,426,433	18,913,572	9,512,861
—	—	—	5,498	5,498	—	1,177,806	1,207,912	(30,106)
—	—	—	—	—	—	—	—	—
—	—	—	25,077,090	17,527,258	7,549,832	108,478,780	91,812,466	16,666,314
—	998,532	998,532	(22,630,715)	(13,656,530)	8,974,185	(23,723,163)	(7,375,302)	16,347,861
—	—	—	5,109,075	4,580,896	(528,179)	5,109,075	4,580,896	(528,179)
—	—	—	1,780,099	1,050,446	(729,653)	1,780,099	1,050,446	(729,653)
—	—	—	11,416,193	9,187,735	(2,228,458)	11,681,968	9,730,598	(1,951,370)
—	—	—	(10,135,062)	(7,674,555)	2,460,507	(11,681,968)	(9,730,597)	1,951,371
—	(829,333)	(829,333)	(719,131)	(727,032)	(7,901)	(2,352,183)	(3,189,417)	(837,234)
—	(829,333)	(829,333)	7,451,174	6,417,490	(1,033,684)	4,536,991	2,441,926	(2,095,065)
—	169,199	169,199	(15,179,541)	(7,239,040)	7,940,501	(19,186,172)	(4,933,376)	14,252,796
—	861,277	861,277	(2,943,904)	19,093,958	22,037,862	(525,571)	31,844,093	32,369,664
\$ —	\$1,030,476	\$ 1,030,476	\$(18,123,445)	\$11,854,918	\$ 29,978,363	\$(19,711,743)	\$26,910,717	\$46,622,460

**Statement of Revenues, Expenses, and Changes
in Retained Earnings — Proprietary Fund Type
Internal Service Fund
Year Ended June 30, 2000**

Operating revenues:	
Self-insurance premiums	\$ 1,234,566
Operating expenses:	
Contracted services	1,305,186
Operating income (loss)	(70,620)
Non-operating revenue:	
Interest income	11,039
Net income (loss)	(59,581)
Retained earnings, July 1, 1999	340,675
Retained earnings, June 30, 2000	\$ 281,094

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

Exhibit 5

**Statement of Revenues, Expenses, and Changes
in Retained Earnings — Proprietary Fund Type
Budget and Actual
Internal Service Fund
Year Ended June 30, 2000**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Self-insurance premiums	\$ 1,144,416	\$ 1,234,566	\$ 90,150
Operating expenses:			
Contracted services	1,144,416	1,305,186	(160,770)
Operating income (loss)	<u>0</u>	<u>(70,620)</u>	<u>(70,620)</u>
Non-operating revenue:			
Interest income	0	11,039	11,039
Net income (loss)	<u>0</u>	<u>(59,581)</u>	<u>(59,581)</u>
Retained earnings, July 1, 1999	253,468	340,675	87,207
Retained earnings, June 30, 2000	<u>\$ 253,468</u>	<u>\$ 281,094</u>	<u>\$ 27,626</u>

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

Statement of Cash Flows
Proprietary Fund Type — Internal Service Fund
Year Ended June 30, 2000

Cash flows from operating activities:	
Cash received from premiums	\$1,235,607
Cash paid for contracted services	1,305,186
Net cash provided by operating activities	<u>(69,579)</u>
Cash flows from investing activities:	
Interest income	11,039
Net increase/(decrease) in cash	<u>(58,540)</u>
Cash, July 1, 1999	337,601
Cash, June 30, 2000	<u>\$ 279,061</u>

Reconciliation of Operating Income to
Net Cash Provided by Operating Activities

Operating income	\$ (70,620)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	1,041
Total adjustments	<u>1,041</u>
Net cash provided by operating activities	<u>\$ (69,579)</u>

Notes to the Financial Statements

Year Ended June 30, 2000

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The district accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's (CDE) *California School Accounting Manual*. The accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The district has not maintained a complete record of its general fixed assets. Accordingly, a statement of the general fixed assets account group and a statement of changes in general fixed assets are not included in the general-purpose financial statements as required by generally accepted accounting principles.

The valuation method used to account for the warehouse stock inventory and the food service inventory is not in conformance with generally accepted accounting principles. It was determined that the change in the valuation method does not have a material effect on the financial statements.

B. Reporting Entity

The criteria of oversight responsibility, special financing relationships, and scope of public service were used in determining the agencies or entities that comprise the district for financial reporting purposes. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, no other agencies or entities should be combined with the financial statements of the district.

C. Fund Accounting

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

Governmental Funds:

The *General Fund* is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

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

- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias.
- The Child Development Fund is used to account for resources committed to child development programs maintained by the district.
- The Adult Education Fund is used to account for resources committed to adult education programs maintained by the district.
- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental general fixed assets. The district maintains the following five capital projects funds.

- The Special Reserve Fund is used to account for resources accumulated to provide for special capital projects within the district.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (*Education Code* Sections 17070-17080).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The Bond Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bonds.
- The County School Facilities Fund is used to account for funding of new school facilities construction and school facilities modernization.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest, and related costs.

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the district. The district maintains one internal service fund, the Self-Insurance Fund.

- The Self-Insurance Fund is used to provide dental and vision benefits to the district's employees.

Fiduciary Funds:

Expendable Trust Funds are used to account for assets held by the district as trustee. The district maintains six expendable trust funds, which are used to provide financial assistance to students of the district.

Agency Funds are used to account for assets of others for which the district acts as an agent. The district maintains 15 agency funds, one for each school's student body.

Account Groups:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by the accounting and reporting measurement focus.

The *General Fixed Asset Account Group* accounts for general fixed assets other than those accounted for in the proprietary fund types. The district did not maintain a general fixed asset account group, which is required by generally accepted accounting principles.

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

D. Basis of Accounting

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

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

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The district applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for its proprietary operations.

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

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the district's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The district's governing board satisfied these requirements.

These budgets are revised by the district's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. It is the final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The district employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

G. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation (FDIC).

In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the Riverside County Treasury. The county pools these funds with those of other districts in the county and invests the cash in low risk (category 1) investments that are insured or registered or for which the securities are held by the county or its agent and list the county as the legal owner. These pooled funds are carried at cost, which approximates market value. Any investment losses are proportionately shared by all funds in the pool.

2. Receivables and Payables

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

3. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Inventory is valued at cost and the district uses a costing method that is a departure from GAAP in determining cost in both the cafeteria fund and the general fund. Inventory consists of expendable supplies held for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Deferred Revenues

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenues are recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the district. The current portion of the liabilities is recognized in the general fund at year-end. The noncurrent portion of the liabilities is recognized in the general long-term debt account group.

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

6. Long-Term Obligations

The district reports long-term debt of governmental funds at face value in the general long-term debt account group.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund, reserve for stores inventories, and reserve for prepaid expenditures reflect the portions of the fund balance represented by revolving fund cash, stores inventories, and prepaid expenditures, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

H. Revenue Limit/Property Tax

The district's revenue limit is received from a combination of local property taxes, state apportionments, and other sources.

Riverside County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real property in the county. The levy is based on assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due in two installments: on November 1 and on February 1. Taxes become delinquent on December 10 and on April 10 for the first and second installments, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of levy. The Riverside County Auditor reports the amount of the district's allocated property tax revenue to CDE. Property taxes are recorded as local revenue limit sources by the district.

Riverside County bills and collects the taxes for the district. Tax revenues are recognized by the district when received by the county. CDE reduces the district's entitlement by the amount of the district's local property tax revenue. The balance is paid from the state's general fund and is known as the state apportionment.

The district's base revenue limit is the amount of general-purpose tax revenue, per average daily attendance (ADA), which the district is entitled to by law. This amount is multiplied by the second-period ADA to derive the district's total entitlement.

I. Total Columns on Combined Statements

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

NOTE 2 - CASH AND INVESTMENTS

Undivided Interest in Cash in County Treasury

In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the Riverside County Treasury. The cash consists of \$24,631,757 in the common investment pool and \$1,030,476 in the bond and redemption fund, for a total of \$25,662,232. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest only in time deposits, U.S. government securities, state-registered warrants, notes, or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks, totaling \$806,364 as of June 30, 2000, and cash in the revolving fund, totaling \$20,200, are insured up to \$100,000 by the FDIC.

Cash With Fiscal Agent/Investments

As of June 30, 2000, the Coachella Valley Unified School District had investments of \$1,077,806 on deposit with State Street Bank and Trust Company of California. This is the remainder of funds held in trust in accordance with the terms of the 1991 refunding agreement between the Riverside County Schools Financing Corporation and the investors in the corporation's certificates of participation. The funds can be held in cash or invested in various securities as outlined in the trust agreements, provided the investments are within the limits imposed upon the entity by state statutes. The cash and investments held by the fiscal agent are held by the fiscal agent's trust department in the district's name.

Investments as of June 30, 2000, held on behalf of Coachella Valley Unified School District are presented below.

	Category *			Carrying Amount	Fair Value
	1	2	3		
U.S. Treasury Bills	\$ 733,000	\$ —	\$ —	\$ 733,458	\$ 733,000
Money Market	—	344,348	—	344,348	344,348
Totals	\$ 733,000	\$ 344,348	\$ —	\$ 1,077,806	\$ 1,077,348

* Category 1: Insured or registered, or securities held by the district or its agent in the district's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the district's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, its trust department, or its agent but not in the district's name.

Cash Collections Awaiting Deposit

Cash collections awaiting deposit represent amounts received by the district and not deposited into the Cash in County Treasury account as of June 30, 2000.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2000, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Other outgo	\$ 28,858
(Direct support)/indirect costs	36,587
Cafeteria Fund:	
Classified salaries	34,325
(Direct support)/indirect costs	2,074
Child Development Fund:	
Other outgo	121
Adult Education Fund:	
Certificated salaries	62,960
Classified salaries	5,143
Other outgo	1,127
Internal Service Fund:	
Contracted services and other operating expenditures	160,770
Capital Facilities Fund:	
Services and other operating expenditures	399,290

These amounts were partially offset by appropriations that were underspent.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables as of June 30, 2000, consist of the following:

	General Fund	Special Revenue Funds	Capital Projects Funds	Internal Service Funds	Totals
Federal government:					
Categorical aid programs	\$1,058,303	\$ 833,937	\$ —	\$ —	\$1,892,240
State government:					
Categorical	215,510	255,260	—	—	470,770
Lottery	706,236	—	—	—	706,236
Class size reduction	183,722	—	—	—	183,722
Revenue limit	6,059	(54,618)	—	—	(48,559)
Other	—	—	—	—	—
Total state government	1,111,527	200,642	—	—	1,312,169
Local government:					
Interest	204,736	12,747	242,978	2,034	462,495
Other	643,509	10,376	4,300	—	658,185
Total local government	848,245	23,123	247,278	2,034	1,120,680
Total accounts receivable	\$3,018,075	\$1,057,702	\$ 247,278	\$ 2,034	\$4,325,089

NOTE 5 - INTERFUND TRANSACTIONS**Interfund Receivables/Payables (Due From/Due To)**

As of June 30, 2000, interfund receivables and payables were as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ 3,521,971	\$ 2,191,579
Special revenue fund:		
Adult education	37,998	92,461
Child development	—	123,258
Deferred maintenance	152,958	—
Capital projects fund:		
Building fund	181,974	849,570
Special reserve	—	44,047
State school building – lease purchase	4,673,399	4,883,888
County school facilities	2,476,362	2,226,474
Capital facilities	—	633,385
Totals	\$ 11,044,662	\$ 11,044,662

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for FY 1999-2000 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Special Reserve Fund	\$ 44,047
General Fund	Capital Facilities Fund	195,629
General Fund	State School Building	27,235
Adult Education	General Fund	29,630
County School Facilities	General Fund	116,000
State School Building	General Fund	417,552
Deferred Maintenance	General Fund	246,322
Special Reserve Fund	General Fund	1,246,538
County School Facilities	Special Reserve	257,744
Building Fund	State School Building	181,974
County School Facilities	Building Fund	6,394,927
County School Facilities	Capital Facilities Fund	573,000
Total		<u>\$9,730,598</u>

NOTE 6 - CERTIFICATES OF PARTICIPATION

In June 1991 the district, in conjunction with the Riverside County Schools Financing Corporation, issued certificates of participation in the amount of \$7,420,000 with interest rates of 7.75% and 8.25%. The district transferred title to certain real property to the corporation. The district can use the proceeds of the issue to finance capital acquisitions and improvements.

The certificates mature through 2012 as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 220,000	\$ 512,944	\$ 732,944
2002	260,000	494,175	754,175
2003	300,000	471,694	771,694
2004	340,000	446,325	786,325
2005	385,000	417,244	802,244
2005-2013	4,765,000	1,770,862	6,535,862
Totals	<u>\$ 6,270,000</u>	<u>\$ 4,113,244</u>	<u>\$ 10,383,244</u>

NOTE 7 - GENERAL OBLIGATION BONDS

A. Issuance

On August 1, 1997, the district issued \$10,000,000 of Series A general obligation bonds to fund school construction. The interest rate on the bonds ranges from 4.80% to 5.25%. The final maturity is on August 1, 2022. Debt service payments are scheduled annually at amounts that range from \$700,000 to \$704,000.

On September 1, 1998 the district issued \$9,999,278 of Series B general obligation bonds to fund school construction. The interest rate on the bonds ranges from 3.7% to 7.75%. The final maturity is on August 1, 2023. Debt service payments are scheduled annually at amounts that range from \$166,000 to \$375,000.

B. Debt Service Requirements

Presented below is a summary of the debt service requirements from FY 2000-01 to maturity:

<u>Year Ending August 1</u>	<u>Series A Principal</u>	<u>Series A Interest</u>	<u>Series B Principal</u>	<u>Series B Interest</u>	<u>Total</u>
2000	\$ 225,000	\$ 477,811	\$ 35,000	\$ 131,308	\$ 869,119
2001	235,000	467,011	60,000	130,013	892,024
2002	245,000	455,731	135,000	127,733	963,464
2003	260,000	443,971	200,000	122,400	1,026,371
2004	270,000	431,491	260,000	114,400	1,075,891
Thereafter	8,370,000	4,600,494	9,309,278	12,876,990	35,156,762
Totals	\$ 9,605,000	\$ 6,876,509	\$ 9,999,278	\$ 13,502,844	\$ 39,983,631

NOTE 8 - LEASES

Master Equipment Lease/Purchase Agreement

On June 24, 1998, the district entered into a master equipment lease/purchase agreement with Koch Financial Corporation to finance \$5,182,328 for an energy retrofit project.

The rental payment schedule for the lease of the equipment is as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment Amount</u>
2001	\$ 434,807	\$ 241,358	\$ 676,165
2002	460,304	215,861	676,165
2003	487,297	188,868	676,165
2004	515,872	160,293	676,165
2005	546,123	130,042	676,165
2006-2022	1,838,138	190,354	2,028,492
Totals	\$ 4,282,541	\$ 1,126,776	\$ 5,409,317

Operating Leases

The district has a facilities operating lease for 197 portable classrooms with furnishings under a lease term in excess of one year. The lease agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a 30-day written notice to the lessor, but it is unlikely that the district will cancel the agreement prior to the expiration date.

As of June 30, 2000, future minimum lease payments to be paid under the operating lease for the year ending June 30, 2001, are \$226,886.

The district has an operating lease for portable classrooms. The district will receive no sublease rental revenues nor pay any contingent rentals for this lease.

NOTE 9 - EMERGENCY APPORTIONMENT LOAN

In June 1992, the Governor signed into law SB 1278, Chapter 59, Statutes of 1992. This legislation provided an emergency apportionment loan of \$7,300,000 for the district. The district, as of June 30, 1993, had received the entire loan amount. The legislation requires the district to repay the loan, plus interest, at rates of 5.338% and 4.493% to the State. The district's current recovery plan cites a ten-year payback period ending in FY 2001-02.

The schedule of payments for the emergency loan are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 866,711	\$ 90,176	\$ 956,887
2002	910,679	46,210	956,889
Totals	<u>\$ 1,777,390</u>	<u>\$ 136,386</u>	<u>\$ 1,913,776</u>

NOTE 10 - SUPPLEMENTAL EARLY RETIREMENT PLANS (SERP)

The district has offered supplemental early retirement plans to its certificated and classified employees as part of the union contracts since 1984. The annuities offered to the employees are paid for over a five-year period. The annuities below, which were purchased for 16 employees who retired after 1996, were purchased from American Fidelity Assurance Company. Future annuity payments are as follows:

<u>Year Ended June 30</u>	<u>Total Payments</u>
2001	330,068
2002	312,176
2003	189,614
2004	155,244
2005	44,380
Total	<u>\$ 1,031,482</u>

NOTE 11 - GENERAL LONG-TERM DEBT — SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2000, is shown below.

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
Certificates of participation	\$ 6,460,000	\$	\$ 190,000	\$ 6,270,000
Emergency apportionment loan	2,602,269		824,879	1,777,390
Supplemental early retirement plans (SERP)	1,095,270		63,788	1,031,482
Compensated absences	549,109	28,062		577,171
General obligation bonds	19,819,278		215,000	19,604,278
Capital lease	4,693,263		410,722	4,282,541
Totals	<u>\$ 35,219,189</u>	<u>\$ 28,062</u>	<u>\$1,704,389</u>	<u>\$ 33,542,862</u>

NOTE 12 - GENERAL LONG-TERM DEBT — DEBT SERVICE REQUIREMENTS

The annual requirements to amortize the long-term debt are as follows:

Year Ended June 30	Certificates of Participation	Emergency Apportion- ment Loan	Supplemental Early Retirement Plans (SERP)	Compen- sated Absences	Capital Lease	General Obligation Bond		Total
						Series A	Series B	
2001	\$ 732,944	\$ 956,887	\$ 330,068	\$ 577,171	\$ 676,165	\$ 702,811	\$ 166,308	\$ 4,142,354
2002	754,175	956,889	312,176	—	676,165	702,011	190,013	3,591,429
2003	771,694	—	189,614	—	676,165	700,731	262,733	2,600,937
2004	786,325	—	155,244	—	676,165	703,971	322,400	2,644,105
2005	802,244	—	44,380	—	676,165	701,491	374,400	2,598,680
Thereafter	6,535,862	—	—	—	2,028,492	12,970,494	22,186,268	43,721,116
Subtotals	10,383,244	1,913,776	1,031,482	577,171	5,409,317	16,481,509	23,502,122	59,298,623
Less amounts representing interest	4,113,244	136,386	—	—	1,126,776	6,876,509	13,502,844	25,755,759
Obligations as of June 30, 2000	<u>\$ 6,270,000</u>	<u>\$ 1,777,390</u>	<u>\$ 1,031,482</u>	<u>\$ 577,171</u>	<u>\$4,282,541</u>	<u>\$ 9,605,000</u>	<u>\$ 9,999,278</u>	<u>\$ 33,542,862</u>

NOTE 13 - JOINT VENTURES (JOINT POWERS AGREEMENTS)**Riverside Schools Insurance Authority**

The Riverside Schools Insurance Authority (RSIA) is a joint powers agreement consisting of 17 school districts, one community college district, and one county office of education within Riverside County. The purpose of RSIA is to operate and maintain a self-insurance program for liability and property damage for its member agencies.

RSIA is governed by a board consisting of a representative from each member agency. The board controls the operation of RSIA, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the board.

Each member agency is required to make an annual actuarial contribution to RSIA calculated by the board of directors and based on actuarial recommendations. The contribution is based on each member agency's average daily attendance, number and type of vehicles, loss history, unusual exposures, total insured values, and other information relative to providing coverage for a risk. Should the total obligations of RSIA exceed its total assets, the member agencies may be assessed a share of the additional contribution as determined by the board of directors.

RSIA provides insurance through two programs: the Comprehensive General Liability Program, and the Real and Personal Property Program. RSIA self-insures for all claims up to a maximum of \$25,000 per occurrence, with a member agency deductible of \$5,000 per occurrence. For claims in excess of \$25,000, RSIA insures through membership in two joint powers authorities (JPAs): the Southern California Schools Regional Liability Excess Fund and the Schools' Excess Liability Fund. RSIA purchases excess real and personal property coverage for amounts above \$250,000, to a maximum of \$100,000,000.

Condensed financial information of RSIA for the year ended June 30, 2000, is as follows:

Assets	\$ 9,683,736
Liabilities	3,260,568
Fund equity	\$ 6,423,168
Revenues	\$ 4,288,182
Expenses	4,462,921
Net decrease in fund equity	\$ (174,739)

The relationship between the district and the JPA is such that the JPA is not a component unit of the district for financial reporting purposes.

Desert Schools' Self-Insurance Program for Employees

The Desert Schools' Self-Insurance Program for Employees (DSSIPE) is a separate joint powers entity from the seven public educational agency members in Riverside County. The purpose of DSSIPE is to operate and maintain a program for workers' compensation claims for its member agencies. In 1999-2000, DSSIPE purchased workers' compensation insurance and is fully insured.

DSSIPE is governed by a board consisting of a representative from each member agency. The board controls the operation of DSSIPE, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the board.

Each member agency is required to make an annual contribution calculated by the board of directors on a pro rata basis based on payroll. When the total obligations exceed the annual contributions, the member agencies may be assessed an additional amount based on the pro rata percentage of annual contributions paid by each member agency to the total annual contributions by all agencies in the program. The relationship between the district and the JPA is such that the JPA is not a component unit of the district for financial reporting purposes.

Condensed financial information for DSSIPE for the year ended June 30, 2000, is as follows:

Assets	\$ 3,554,722
Liabilities	<u>238,453</u>
Fund equity	\$ 3,316,269
Revenues	\$ 350,253
Expenses	<u>153,016</u>
Net increase in fund equity	\$ 197,237

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Grants, and Awards

The district has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, district management believes that any required reimbursement will not be material.

Litigation and Claims

Various claims and litigation involving the district are currently outstanding. However, management of the district believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the district's financial position or results of operations.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Generally, classified employees are members of the Public Employees' Retirement System (PERS) and certificated employees are members of the State Teachers' Retirement System (STRS).

PERS

Plan Description

The Coachella Valley Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Coachella Valley Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 1999-2000 was 0% of annual payroll. The contribution requirements of the plan members are established by state statute. The Coachella Valley Unified School District's contributions to CalPERS for the fiscal years ending June 30, 2000, 1999, and 1998, were \$0, \$0, and \$662,873, respectively, and equal 100% of the required contributions for each year.

STRS**Plan Description**

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the Coachella Valley Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 1999-2000 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Coachella Valley Unified School District's contributions to STRS for the fiscal years ending June 30, 2000, 1999, and 1998, were \$2,467,536, \$2,275,024, and \$2,146,365, respectively, and equal 100% of the required contributions for each year.

NOTE 16 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 15, the district provides post-retirement health care benefits to employees who opt for the early retirement plan offered by the district. These benefits are provided for employees upon or after attaining age 55 with at least 15 years of service and continue until the employee reaches age 65. As of June 30, 2000, 45 retirees met these eligibility requirements.

Expenditures for post-retirement health care benefits are recognized as retiree report claims and include a provision for estimated claims incurred but not yet reported to the district. During the year ended June 30, 2000, expenditures of \$306,357 were recognized for post-retirement health care. The program is managed by American Fidelity Assurance Company.

Special Revenue Funds Combining Balance Sheet June 30, 2000

	Cafeteria Fund	Child Development Fund	Adult Education Fund	Deferred Maintenance Fund	Totals
Assets					
Cash in county treasury	—	\$ 11,826	\$ 51,923	\$ 694,093	\$ 757,842
Cash in banks	\$ 491,704	—	—	—	491,704
Cash in revolving fund	200	—	—	—	200
Cash collections awaiting deposit	—	—	2,457	—	2,457
Accounts receivable	812,833	209,625	24,970	10,276	1,057,704
Due from other funds	—	—	37,998	152,958	190,956
Inventories	184,135	—	—	—	184,135
Total assets	<u>1,488,872</u>	<u>221,451</u>	<u>117,348</u>	<u>857,327</u>	<u>2,684,998</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	577,822	19,445	17,164	52,193	666,624
Due to other funds	—	123,258	92,461	—	215,719
Other current liabilities	696	—	—	—	696
Total liabilities	<u>578,518</u>	<u>142,703</u>	<u>109,625</u>	<u>52,193</u>	<u>883,039</u>
Fund balances:					
Reserved for revolving fund	200	—	—	—	200
Reserved for stores inventory	184,135	—	—	—	184,135
Undesignated fund balance	726,019	78,748	7,723	805,134	1,617,624
Total fund balances	<u>910,354</u>	<u>78,748</u>	<u>7,723</u>	<u>805,134</u>	<u>1,801,959</u>
Total liabilities and fund balances	<u>\$ 1,488,872</u>	<u>\$ 221,451</u>	<u>\$ 117,348</u>	<u>\$ 857,327</u>	<u>\$ 2,684,998</u>

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

Exhibit A-2

Special Revenue Funds
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Year Ended June 30, 2000

	<u>Cafeteria Fund</u>	<u>Child Development Fund</u>	<u>Adult Education Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:					
Revenue limit sources:					
State apportionments	\$ —	\$ —	\$ 639,236	\$ —	\$ 639,236
Federal	3,767,866	—	48,781	—	3,816,647
Other state	254,884	1,656,260	36,185	287,269	2,234,598
Other local	628,659	51,590	50,650	35,706	766,605
Total revenues	4,651,409	1,707,850	774,852	322,975	7,457,086
Expenditures:					
Certificated salaries	—	602,947	512,349	—	1,115,296
Classified salaries	1,606,806	525,176	92,015	—	2,223,997
Employee benefits	628,733	296,873	100,753	—	1,026,359
Books and supplies	1,888,587	40,119	45,566	—	1,974,272
Services and other operating expenditures	93,264	12,460	23,332	—	129,056
Capital outlay	26,762	35,067	13,923	416,457	492,209
Other outgo	—	60,178	10,773	—	70,951
(Direct support)/indirect costs	207,074	62,975	(1,157)	—	268,892
Total expenditures	4,451,226	1,635,795	797,554	416,457	7,301,032
Excess (deficiency) of revenues over (under) expenditures	200,183	72,055	(22,702)	(93,482)	156,054
Other financing sources:					
Operating transfers in	—	—	29,630	246,322	275,952
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources	200,183	72,055	6,928	152,840	432,006
Fund balances, July 1, 1999	710,171	6,693	795	652,294	1,369,953
Fund balances, June 30, 2000	\$ 910,354	\$ 78,748	\$ 7,723	\$ 805,134	\$ 1,801,959

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

Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual Year Ended June 30, 2000

	Cafeteria Fund			Child Development Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Revenue limit sources:						
State apportionments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal	3,962,752	3,767,866	(194,886)	—	—	—
Other state	268,186	254,884	(13,302)	1,688,741	1,656,260	(32,481)
Other local	775,051	628,659	(146,392)	54,276	51,590	(2,686)
Total revenues	5,005,989	4,651,409	(354,580)	1,743,017	1,707,850	(35,167)
Expenditures:						
Certificated salaries	—	—	—	612,275	602,947	9,328
Classified salaries	1,572,481	1,606,806	(34,325)	535,616	525,176	10,440
Employee benefits	660,888	628,733	32,155	332,008	296,873	35,135
Books and supplies	1,978,628	1,888,587	90,041	95,659	40,119	55,540
Services and other operating expenditures	98,985	93,264	5,721	29,254	12,460	16,794
Capital outlay	225,000	26,762	198,238	36,955	35,067	1,888
Other outgo	—	—	—	60,057	60,178	(121)
(Direct support)/indirect costs	205,000	207,074	(2,074)	67,339	62,975	4,364
Total expenditures	4,740,982	4,451,226	289,756	1,769,163	1,635,795	133,368
Excess (deficiency) of revenues over (under) expenditures	265,007	200,183	(64,824)	(26,146)	72,055	98,201
Other financing sources:						
Operating transfers in	—	—	—	19,453	—	(19,453)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources	265,007	200,183	(64,824)	(6,693)	72,055	78,748
Fund balances, July 1, 1999	453,830	710,171	256,341	—	6,693	6,693
Fund balances, June 30, 2000	\$ 718,837	\$ 910,354	\$ 191,517	\$ (6,693)	\$ 78,748	\$ 85,441

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

Exhibit A-3

Adult Education Fund			Deferred Maintenance Fund			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 655,970	\$ 639,236	\$ (16,734)	\$ —	\$ —	\$ —	\$ 655,970	\$ 639,236	\$ (16,734)
93,925	48,781	(45,144)	—	—	—	4,056,677	3,816,647	(240,030)
10,000	36,185	26,185	310,000	287,269	(22,731)	2,276,927	2,234,598	(42,329)
30,000	50,650	20,650	—	35,706	35,706	859,327	766,605	(92,722)
789,895	774,852	(15,043)	310,000	322,975	12,975	7,848,901	7,457,086	(391,815)
449,389	512,349	(62,960)	—	—	—	1,061,664	1,115,296	(53,632)
86,872	92,015	(5,143)	—	—	—	2,194,969	2,223,997	(29,028)
101,393	100,753	640	—	—	—	1,094,289	1,026,359	67,930
50,161	45,566	4,595	—	—	—	2,124,448	1,974,272	150,176
33,013	23,332	9,681	—	—	—	161,252	129,056	32,196
26,281	13,923	12,358	556,322	416,457	139,865	844,558	492,209	352,349
9,646	10,773	(1,127)	—	—	—	69,703	70,951	(1,248)
33,140	(1,157)	34,297	—	—	—	305,479	268,892	36,587
789,895	797,554	(7,659)	556,322	416,457	139,865	7,856,362	7,301,032	555,330
—	(22,702)	(22,702)	(246,322)	(93,482)	152,840	(7,461)	156,054	163,515
—	29,630	29,630	246,322	246,322	—	265,775	275,952	10,177
—	6,928	6,928	—	152,840	152,840	258,314	432,006	173,692
57,067	795	(56,272)	(513,395)	652,294	1,165,689	(2,498)	1,369,953	1,372,451
\$ 57,067	\$ 7,723	\$ (49,344)	\$(513,395)	\$ 805,134	\$ 1,318,529	\$ 255,816	\$ 1,801,959	\$ 1,546,143

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Exhibit B-1

Capital Projects Funds

Combining Balance Sheet

June 30, 2000

	Special Reserve Fund	State School Building Lease- Purchase Fund	Capital Facilities Fund	Bond Building Fund	County School Facilities Fund	Totals
Assets						
Cash in county treasury	\$ 292,338	\$ 536,358	\$ 3,731,640	\$ 7,579,529	\$ 324,889	\$ 12,464,754
Cash with fiscal agent	1,077,806	—	—	—	—	1,077,806
Cash collections awaiting deposit	—	—	246,358	—	—	246,358
Accounts receivable	7,859	8,376	62,243	155,772	13,030	247,280
Due from other funds	—	4,673,399	—	181,974	2,476,362	7,331,735
Total assets	\$ 1,378,003	\$ 5,218,133	\$ 4,040,241	\$ 7,917,275	\$2,814,281	\$ 21,367,933
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 13,817	\$ 208,550	\$ 5,268	\$ 68,940	\$ 22,598	\$ 319,173
Deferred revenue	—	—	—	—	556,478	556,478
Due to other funds	44,047	4,883,888	633,385	849,570	2,226,474	8,637,364
Total liabilities	57,864	5,092,438	638,653	918,510	2,805,550	9,513,015
Fund balances:						
Designated for KSL litigation	—	—	3,231,969	—	—	3,231,969
Undesignated fund balance	1,320,139	125,695	169,619	6,998,765	8,731	8,622,949
Total fund balances	1,320,139	125,695	3,401,588	6,998,765	8,731	11,854,918
Total liabilities and fund balances	\$ 1,378,003	\$ 5,218,133	\$ 4,040,241	\$ 7,917,275	\$2,814,281	\$ 21,367,933

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

Exhibit B-2

Capital Projects Funds
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Year Ended June 30, 2000

	Special Reserve Fund	State School Building Lease- Purchase Fund	Capital Facilities Fund	Bond Building Fund	County School Facilities Fund	Totals
Revenues:						
Other local	\$ 87,248	\$ 31,928	\$ 2,953,086	\$ 723,205	\$ 75,261	\$ 3,870,728
Total revenues	87,248	31,928	2,953,086	723,205	75,261	3,870,728
Expenditures:						
Classified salaries	—	—	42,226	472	—	42,698
Employee benefits	—	—	8,423	47	—	8,470
Books and supplies	—	—	210	4,660	—	4,870
Services and other operating expenditures	—	10,175	926,675	5,161	—	942,011
Capital outlay	666,884	1,248,614	165,551	2,472,563	11,970,099	16,523,711
Other outgo	—	—	5,498	—	—	5,498
Total expenditures	666,884	1,258,789	1,148,583	2,482,903	11,970,099	17,527,258
Excess (deficiency) of revenues over (under) expenditures	(579,636)	(1,226,861)	1,804,503	(1,759,698)	(11,894,838)	(13,656,530)
Other financing sources (uses):						
Other sources	—	—	—	18,998	4,561,898	4,580,896
Other financing sources	—	1,050,446	—	—	—	1,050,446
Operating transfers in	1,246,538	417,552	—	181,974	7,341,671	9,187,735
Operating transfers out	(727,032)	—	—	—	—	(727,032)
Other uses	(301,791)	(209,209)	(768,629)	(6,394,926)	—	(7,674,555)
Total other financing sources (uses)	217,715	1,258,789	(768,629)	(6,193,954)	11,903,569	6,417,490
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources	(361,921)	31,928	1,035,874	(7,953,652)	8,731	(7,239,040)
Fund balances, July 1, 1999	1,682,060	93,767	2,365,714	14,952,417	—	19,093,958
Fund balances, June 30, 2000	\$1,320,139	\$ 125,695	\$ 3,401,588	\$ 6,998,765	\$ 8,731	\$11,854,918

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

Exhibit B-3

Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances — Budget and Actual
Year Ended June 30, 2000

	Special Reserve Fund			State School Building Lease-Purchase Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Other local	\$ 69,131	\$ 87,248	\$ 18,117	\$ —	\$ 31,928	\$ 31,928
Expenditures:						
Classified salaries	—	—	—	—	—	—
Employee benefits	—	—	—	—	—	—
Books and supplies	—	—	—	—	—	—
Services and other operating expenditures	—	—	—	11,351	10,175	1,176
Capital outlay	847,929	666,884	181,045	1,814,748	1,248,614	566,134
Other outgo	—	—	—	—	—	—
Total expenditures	847,929	666,884	181,045	1,826,099	1,258,789	567,310
Excess (deficiency) of revenues over (under) expenditures	(778,798)	(579,636)	199,162	(1,826,099)	(1,226,861)	599,238
Other financing sources (uses):						
Other sources	—	—	—	—	—	—
Other financing sources	—	—	—	1,780,099	1,050,446	(729,653)
Operating transfers in	1,119,131	1,246,538	127,407	46,000	417,552	371,552
Operating transfers out	(719,131)	(727,032)	(7,901)	—	—	—
Other uses	(257,744)	(301,791)	(44,047)	—	(209,209)	(209,209)
Total other financing sources (uses)	142,256	217,715	75,459	1,826,099	1,258,789	(567,310)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(636,542)	(361,921)	274,621	—	31,928	31,928
Fund balances, July 1, 1999	1,945,598	1,682,060	(263,538)	(1,271,518)	93,767	1,365,285
Fund balances, June 30, 2000	\$1,309,056	\$1,320,139	\$ 11,083	\$ (1,271,518)	\$ 125,695	\$ 1,397,213

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

	Capital Facilities Fund			Bond Building Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Other local	\$ 1,877,244	\$ 2,953,086	\$ 1,075,842	\$ 500,000	\$ 723,205	\$ 223,205
Expenditures:						
Classified salaries	42,227	42,226	1	472	472	—
Employee benefits	8,553	8,423	130	49	47	2
Books and supplies	400	210	190	9,172	4,660	4,512
Services and other operating expenditures	527,385	926,675	(399,290)	21,515	5,161	16,354
Capital outlay	309,783	165,551	144,232	5,808,535	2,472,563	3,335,972
Other outgo	5,498	5,498	—	—	—	—
Total expenditures	893,846	1,148,583	(254,737)	5,839,743	2,482,903	3,356,840
Excess (deficiency) of revenues over (under) expenditures	983,398	1,804,503	821,105	(5,339,743)	(1,759,698)	3,580,045
Other financing sources (uses):						
Other sources	—	—	—	—	18,998	18,998
Other financing sources	—	—	—	—	—	—
Operating transfers in	—	—	—	—	181,974	181,974
Operating transfers out	—	—	—	—	—	—
Other uses	(573,000)	(768,629)	(195,629)	(9,304,318)	(6,394,926)	2,909,392
Total other financing sources (uses)	(573,000)	(768,629)	(195,629)	(9,304,318)	(6,193,954)	3,110,364
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	410,398	1,035,874	625,476	(14,644,061)	(7,953,652)	6,690,409
Fund balances, July 1, 1999	1,609,881	2,365,714	755,833	(1,325,334)	14,952,417	16,277,751
Fund balances, June 30, 2000	\$ 2,020,279	\$ 3,401,588	\$ 1,381,309	\$ (15,969,395)	\$ 6,998,765	\$ 22,968,160

Exhibit B-3
(continued)

County School Facilities Fund			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ —	\$ 75,261	\$ 75,261	\$ 2,446,375	\$ 3,870,728	\$ 1,424,353
—	—	—	42,699	42,698	1
—	—	—	8,602	8,470	132
—	—	—	9,572	4,870	4,702
—	—	—	560,251	942,011	(381,760)
15,669,473	11,970,099	3,699,374	24,450,468	16,523,711	7,926,757
—	—	—	5,498	5,498	—
15,669,473	11,970,099	3,699,374	25,077,090	17,527,258	7,549,832
(15,669,473)	(11,894,838)	3,774,635	(22,630,715)	(13,656,530)	8,974,185
5,109,075	4,561,898	(547,177)	5,109,075	4,580,896	528,179
—	—	—	1,780,099	1,050,446	(729,653)
10,251,062	7,341,671	(2,909,391)	11,416,193	9,187,735	(2,228,458)
—	—	—	(719,131)	(727,032)	(7,901)
—	—	—	(10,135,062)	(7,674,555)	2,460,507
15,360,137	11,903,569	(3,456,568)	7,451,174	6,417,490	(1,033,684)
(309,336)	8,731	318,067	(15,179,541)	(7,239,040)	7,940,501
(3,902,530)	—	3,902,530	(2,943,903)	19,093,958	22,037,861
\$ (4,211,866)	\$ 8,731	\$ 4,220,597	\$ (18,123,444)	\$ 11,854,918	\$ 29,978,362

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Exhibit C-1

Trust and Agency Funds Combining Balance Sheet June 30, 2000

	Expendable Trust Funds						Agency Funds			Totals
	Bill Freeman	Coachella Valley High School	Sandra Carlson	Lenore Cowan	Michael Montoya	Jeannette O'Day	Elementary and Middle Schools	High Schools	Adult Education	
Assets										
Cash on hand and in banks	\$ 1,367	\$ 15,803	\$ 293	\$ 395	\$ 3,888	\$ 3,005	\$ 156,845	\$ 227,634	\$ 590	\$409,820
Total assets	<u>\$ 1,367</u>	<u>\$ 15,803</u>	<u>\$ 293</u>	<u>\$ 395</u>	<u>\$ 3,888</u>	<u>\$ 3,005</u>	<u>\$ 156,845</u>	<u>\$ 227,634</u>	<u>\$ 590</u>	<u>\$409,820</u>
Liabilities and fund balances										
Liabilities:										
Due to student groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,845	\$ 227,634	\$ 590	\$385,069
Fund balances:										
Reserve for scholarships	1,367	15,803	293	395	3,888	3,005	0	0	0	24,751
Total liabilities and fund balances	<u>\$ 1,367</u>	<u>\$ 15,803</u>	<u>\$ 293</u>	<u>\$ 395</u>	<u>\$ 3,888</u>	<u>\$ 3,005</u>	<u>\$ 156,845</u>	<u>\$ 227,634</u>	<u>\$ 590</u>	<u>\$409,820</u>

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

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 2000

<u>Elementary and Middle Schools</u>	<u>Balance as of July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2000</u>
<i>Bobby Duke</i>				
Assets: Cash in bank	\$ 5,980	\$ 19,344	\$ 19,784	\$ 5,540
Liabilities: Due to student groups	5,980	19,344	19,784	5,540
<i>Cahuilla Desert Academy</i>				
Assets: Cash in bank	19,496	101,577	79,688	41,385
Liabilities: Due to student groups	19,496	101,577	79,688	41,385
<i>Cesar Chavez</i>				
Assets: Cash in bank	11,563	42,655	36,104	18,114
Liabilities: Due to student groups	11,563	42,655	36,104	18,114
<i>John Kelley</i>				
Assets: Cash in bank	13,981	47,710	42,809	18,882
Liabilities: Due to student groups	13,981	47,710	42,809	18,882
<i>Mecca</i>				
Assets: Cash in bank	11,371	24,130	33,873	1,628
Liabilities: Due to student groups	11,371	24,130	33,873	1,628
<i>Oasis</i>				
Assets: Cash in bank	22,208	48,088	51,661	18,635
Liabilities: Due to student groups	22,208	48,088	51,661	18,635
<i>Palm View</i>				
Assets: Cash in bank	9,977	15,993	17,499	8,471
Liabilities: Due to student groups	9,977	15,993	17,499	8,471
<i>Saul Martinez</i>				
Assets: Cash in bank	—	3,622	2,326	1,296
Liabilities: Due to student groups	—	3,622	2,326	1,296
<i>Valley View</i>				
Assets: Cash in bank	18,418	76,563	70,066	24,915
Liabilities: Due to student groups	18,418	76,563	70,066	24,915
<i>West Side</i>				
Assets: Cash in bank	13,914	46,297	42,232	17,979
Liabilities: Due to student groups	13,914	46,297	42,232	17,979
<i>Total Elementary and Middle Schools</i>				
Assets: Cash in bank	\$ 126,908	\$ 425,979	\$ 396,042	\$ 156,845
Liabilities: Due to student groups	\$ 126,908	\$ 425,979	\$ 396,042	\$ 156,845

Exhibit C-2 (continued)

High Schools	Balance as of July 1, 1999	Additions	Deletions	Balance as of June 30, 2000
<i>Coachella Valley High School</i>				
Assets: Cash in bank	\$ 144,732	\$ 533,946	\$ 473,819	\$ 204,859
Liabilities: Due to student groups	144,732	533,946	473,819	204,859
<i>Coachella Valley High School Farm</i>				
Assets: Cash in bank	2,214	7,835	5,827	4,222
Liabilities: Due to student groups	2,214	7,835	5,827	4,222
<i>La Familia</i>				
Assets: Cash in bank	55	2,061	958	1,158
Liabilities: Due to student groups	55	2,061	958	1,158
<i>West Shores</i>				
Assets: Cash in bank	15,507	40,947	39,059	17,395
Liabilities: Due to student groups	15,507	40,947	39,059	17,395
<i>Total High Schools</i>				
Assets: Cash in bank	\$ 162,508	\$ 584,789	\$ 519,663	\$ 227,634
Liabilities: Due to student groups	\$ 162,508	\$ 584,789	\$ 519,663	\$ 227,634
<i>Adult Education</i>				
Assets: Cash in bank	\$ 590	\$ 0	\$ 0	\$ 590
Liabilities: Due to student groups	\$ 590	\$ 0	\$ 0	\$ 590
<i>Total Agency</i>				
Assets: Cash in bank	\$ 290,006	\$1,010,768	\$ 915,705	\$ 385,069
Liabilities: Due to student groups	\$ 290,006	\$1,010,768	\$ 915,705	\$ 385,069

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

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SUPPLEMENTARY INFORMATION SECTION

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Organization

June 30, 2000

The Coachella Valley Unified School District was established on July 1, 1973, and is comprised of approximately 1200 square miles located in Riverside County. There were no changes in the boundaries of the district during the school year. The district currently operates one K-3 school, five K-6 schools, one 7-8 school, four K-8 schools, two four-year high schools, one continuation high school, and an adult education extension program. The district also is currently operating ten Headstart/State Preschools, seven child care centers, and a teen parenting program at Coachella Valley High School.

Board of Trustees		
Name	Office	Term Expires
Ms. Rosa Ferguson	President	December 2000
Mr. Joey Acuña, Jr.	Vice President	December 2000
Mr. Michael Wells	Clerk	December 2002
Mr. Gary Funtas	Member	December 2002
Mrs. Marguerite Freeman	Member	December 2002
Mr. Joe Murillo	Member	December 2000
Mr. Armando Paiz	Member	December 2000

Administration

Dr. Colleen K. Gaynes
District Superintendent

Mr. Foch Pensis
Assistant Superintendent
Administrative Services

Dr. Lyle Stenfors
Assistant Superintendent
Business Services

Mrs. Martha Tureen
Assistant Superintendent
Educational Services

State Appointed Trustee

Mr. Michael Keebler

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Schedule of Average Daily Attendance Year Ended June 30, 2000

	Second-Period Report	Annual Report
Elementary:		
Kindergarten	974.58	983.94
Grades 1 through 3	3,023.66	3,036.24
Grades 4 through 6	2,782.30	2,792.57
Grades 7 and 8	1,680.01	1,681.04
Home and hospital	1.47	1.78
Special education	251.62	255.21
Elementary totals	8,713.64	8,750.78
High School:		
Grades 9 through 12	2,489.04	2,467.59
Special education	91.48	90.23
Continuation education	140.85	137.72
Home and hospital	5.10	5.34
High school totals	2,726.47	2,700.88
Classes for adults:		
Concurrently enrolled	8.73	8.34
Not concurrently enrolled	339.13	307.43
Adult totals	347.86	315.77
ADA totals	11,787.97	11,767.43
	Hours of Attendance	
Summer School		
Elementary	55,026	
High School	102,444	

Average daily attendance 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.

Average daily attendance is based on the second-period attendance report for the period ending April 15 and the annual report for the period ending June 30.

Schedule of Instructional Time Year Ended June 30, 2000

Grade Level	1982-83 Actual Minutes Offered	1986-87 Minutes Offered Requirement	1999-2000 Actual Minutes Offered	Status
Kindergarten	31,500	36,000	32,220	Did not comply
Grades 1 through 3	48,560	50,400	55,380	In compliance
Grades 4 through 8	58,730	54,000	55,554	In compliance ¹
Grades 9 through 12	58,730	64,800	65,448	In compliance

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

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the district and on whether the district complied with the provisions of *Education Code* Sections 46201 through 46206.

¹ The district used the weighted average method to meet the compliance requirements of the longer day.

Schedule of Financial Trends and Analysis ¹

Year Ended June 30, 2000

General Fund	2001 (Budget)	For the Year Ended June 30,		
		2000	1999	1998
Revenues and other financial sources	\$ 74,884,517	\$ 72,377,729	\$ 66,098,896	\$ 61,757,413
Expenditures	75,030,168	66,984,176	60,886,082	60,324,582
Other uses and transfers out	2,670,089	3,689,094	2,801,384	2,300,393
Total outgo	77,700,257	70,673,270	63,687,466	62,624,975
Change in fund balance (deficit)	\$ (2,815,740)	\$ 1,704,459	\$ 2,411,431	\$ (867,562)
Ending fund balance	\$ 9,407,624	\$ 12,223,364	\$ 10,518,905	\$ 8,107,474
Available reserves ²	\$ 2,331,007	\$ 4,912,348	\$ 4,945,451	\$ 3,090,081
Available reserves as a percentage of total outgo	3.0%	7.0%	7.8%	4.9%
Total long-term debt	\$ 33,507,900	\$ 33,542,862	\$ 35,219,189	\$ 26,395,817
Average daily attendance at P-2 ^{3,4}	11,535	11,440	11,437	10,853

The *General Fund* balance has increased by \$4,115,890 over the past two years (1998-99). The FY 2000-01 budget is projecting a decrease in ending fund balance of \$2,815,740 (23%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

Total *long-term debt* has increased by \$7,057,045 over the past two years.

Average daily attendance has increased by 587 over the past two years. An increase of 95 ADA is anticipated during FY 2000-01.

¹ 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.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and any special reserve or Article XIII-B trust funds.

³ Excludes adult education ADA.

⁴ P-2 is the second-period attendance report submitted to the California Department of Education and used by CDE to calculate funding.

Schedule of Expenditures of Federal Awards¹ Year Ended June 30, 2000

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures	Total Expenditures
<u>U.S. Department of Agriculture:</u>				
Passed through California Department of Education: National School Lunch/Breakfast	10.555/553	03396/03988		3,767,866 ²
<u>U.S. Department of Health and Human Services:</u>				
Passed through Riverside County Office of Education: Head Start	93.600	10016		852,406
<u>U.S. Department of Labor:</u>				
Passed through Riverside County Office of Education: Job Training and Partnership Act	17.250	03152		161,555
<u>U.S. Department of Education:</u>				
Direct Programs:				
Indian Education	84.060	04510		6,538
21 st Century	84.287B	10042		1,237
Title VII – Bilingual Education	84.288S	*		152,454
Passed through California Department of Education:				
Adult Education CalWorks	NA	03324		6,522
Adult Education and Family Literacy Act	84.002A	*		73,082
Title VI of ESEA	84.298	*		77,689 ²
Title VI of ESEA – Class Size Reduction	84.340	*		424,274 ²
Title I of ESEA – Regular	84.010	03064	2,442,523	
Title I of ESEA – Setaside	84.010	03064	398,596	
Title I of ESEA – Parent	84.010	03064	55,000	2,896,119
Vocational Education	84.048	03577		80,536
Emergency Immigrant Education	84.162	03159		171,102
Eisenhower Math and Science	84.164	03094		59,270
K-3 New Teacher Reading	84.276A	03264	10,274	
Grades 4-12 Reading Standards	84.276A	03264	119,318	
Goals 2000	84.276A	03764	8,544	138,136
Technology Literacy Challenge	84.318	03285		387,103 ²

Schedule of Expenditures of Federal Awards¹ (continued)

Year Ended June 30, 2000

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures	Total Expenditures
Passed through Riverside County Office of Education:				
Migrant Education	84.011	03628	669,619	
Migrant Education Summer School	84.011	03628	65,949	735,568 ²
Special Education - 142 UDC	84.027	*	663,716	
Special Education - 142 Low Incidence	84.027	03459	4,389	
Special Education - Personnel Develop	84.029	03815	3,531	
Special Education - Preschool Grant	84.173	03430	23,180	
Special Education - Preschool Local	84.173	*	17,649	
Special Education - Program Specialist	84.173	03544	1,062	713,527 ²
Drug-Free Schools	84.184	03711		105,859
Schools to Careers Partnership	84.278	10009		21,210
Desert Community College District	NA	*		8,419
Inland Empire Economic Investment	NA	*		5,115
Reading is Fundamental	NA	*		994
Total Federal Expenditures				<u>10,846,581</u>

* Pass-Through Entity Identifying Number unavailable.

¹ The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Coachella Valley Unified School District and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

² This is a major federal financial assistance program.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements¹ Year Ended June 30, 2000

	General Fund	General Long-Term Debt Account Group (Total Liabilities)
Financial and Budget Report (Form J-200) Fund Balances	\$ 12,208,270	\$ 33,997,070
Adjustments:		
To record cash collections awaiting deposit	15,094	
To correct the SERP liability	—	(499,208)
To reduce principal payments on the bond liability	—	45,000
Net adjustments	15,094	(454,208)
June 30, 2000, audited financial statement fund balances	\$ 12,223,364	\$ 33,542,862

¹ This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form J-200 to the audited financial statements. Funds that required no adjustment were not presented.



KATHLEEN CONNELL
Controller of the State of California

Board of Trustees
Coachella Valley Unified School District
Post Office Box 847
Thermal, California 92274

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

The State Controller's Office has audited the financial statements of the Coachella Valley Unified School District as of and for the year ended June 30, 2000, and has issued its report thereon dated December 15, 2000. The opinion of the State Controller's Office on the combined financial statements was qualified because the general fixed assets account group was not included. The Controller's Office conducted the audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, the State Controller's Office performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, the State Controllers Office does not express such an opinion. The results of the State Controller's tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing the audit, the State Controller's Office considered the district's internal control over financial reporting in order to determine the auditing procedures necessary for the purpose of expressing the opinion of the State Controller's Office on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Coachella Valley Unified School District's ability to record, process, summarize, and report financial data

consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as Findings 00-2, 00-3, 00-4, 00-5, 00-6, 00-7, 00-9, 00-15, 00-16, and 00-18.

The State Controller's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

This report is intended for the information and use of the audit committee, district management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JEFFREY V. BROWNFIELD, CPA, Acting Chief
Division of Audits

December 15, 2000



KATHLEEN CONNELL
Controller of the State of California

Board of Trustees
Coachella Valley Unified School District
Post Office Box 847
Thermal, California 92274

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

Compliance

The State Controller's Office has audited the compliance of Coachella Valley Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Coachella Valley Unified School District's major federal programs are identified in the Summary of Audit Results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Coachella Valley Unified School District's management. The responsibility of the State Controller's Office is to express an opinion on Coachella Valley Unified School District's compliance based on the audit.

The State Controller's Office conducted its audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that the State Controller's Office 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 the State Controller's Office considered necessary in the circumstances. The State Controller's Office believes that the audit provides a reasonable basis for its opinion. The audit does not provide a legal determination on Coachella Valley Unified School District's compliance with those requirements.

In the opinion of the State Controller's Office, Coachella Valley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, the results of the SCO's auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 00-16, 00-17, and 00-18.

Internal Control Over Compliance

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

The State Controller's Office noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Coachella Valley Unified School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings as Findings 00-16, 00-17, and 00-18.

The State Controller's consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the district's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JEFFREY V. BROWNFIELD, CPA, Acting Chief
Division of Audits

December 15, 2000



KATHLEEN CONNELL
Controller of the State of California

Board of Trustees
Coachella Valley Unified School District
Post Office Box 847
Thermal, California 92274

AUDITOR'S REPORT ON STATE COMPLIANCE

The State Controller's Office has audited the general-purpose financial statements of the Coachella Valley Unified School District, as of and for the year ended June 30, 2000, and issued its report thereon dated December 15, 2000. In its report, the opinion of the State Controller's Office on the combined financial statements was qualified because the general fixed assets account group was not included. In addition, the valuation method used to account for inventory was not in conformance with generally accepted accounting principles.

The State Controller's Office conducted its audit in accordance with: generally accepted auditing standards; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (Audit Guide). Those standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The State Controller's Office believes that its audit provides a reasonable basis for its opinion.

The district's management is responsible for the district's compliance with laws and regulations. In connection with the audit referred to above, the auditors selected and tested transactions and records to determine the district's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Required Number of Procedures, From Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	4	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes

* Independent study	13	No (see below)
Continuation education	13	Yes
Adult education	8	Yes
Regional occupational center/programs	5	Not applicable
County Office of Education programs	9	Not applicable
Incentive for Longer Instructional Day:		
School districts	3	Yes
County offices of education	3	Not applicable
GANN Limit Calculation	2	Yes
Early Retirement Incentive Program	5	Yes
Community Day Schools	8	Not Applicable
Class Size Reduction:		
Option one classes	12	Yes
Option two classes	11	Yes
Option one and two classes	17	Yes
Reduce class size in two courses in grade 9	8	Yes
State Instructional Materials Fund	8	Yes
Schiff-Bustamante Standards-Based Instructional Materials	4	Yes
Digital High School Education Technology Grant Program	5	Not Applicable
Office of Criminal Justice Planning	—	Not Applicable

- * The auditors did not perform testing for independent study because the independent study ADA was under the level that requires testing.

Based on its audit, the State Controller's Office noted certain matters involving state compliance that it considers to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over state compliance that, in our judgement, could adversely affect CVUSD's ability to administer state programs in accordance with the applicable requirements of state laws and regulations. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 00-8, 00-9, 00-10, 00-11, 00-12, 00-13, 00-14, and 00-15.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of state laws and regulations that would be material in relation to a state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over state compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.



JEFFREY V. BROWNFIELD, CPA, Acting Chief
Division of Audits

December 15, 2000

FINDINGS AND RECOMMENDATIONS SECTION

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**Coachella Valley Unified School District
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2000**

Section I — Summary of Audit Results*Financial Statements*

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X NoReporting condition(s) identified not considered
to be material weaknesses?X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X NoReporting condition(s) identified not considered
to be material weaknesses?X Yes _____ None reportedType of auditor's report issued on compliance for
major programs:

Qualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)X Yes _____ No

Identification of major programs

CFDA Number(s)Name of Federal Program or Cluster

10.555/10.553

School Nutrition Cluster

84.298/84.340

Title VI

84.318

Technology Literacy Challenge

84.011

Migrant Education

84.027

Special Education

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No*State Awards*

Internal control over state programs:

Material weakness(es) identified?

_____ Yes X NoReporting condition(s) identified not considered
to be material weaknesses?X Yes _____ None reportedType of auditor's report issued on compliance for
state programs:

Qualified

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Section II - Findings and Recommendations

The following findings and recommendations represent conditions that the State Controller's Office considers to be of particular importance. The findings are categorized according to the finding types delineated in AB 3627 (1994-95) and are coded according to the five-digit codes set out in the State Controller's Office publication, *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. The audit findings are coded as follows:

<u>Five-Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of equipment
30000	Internal control
40000	State compliance
50000	Federal compliance
60000	Miscellaneous

INTERNAL CONTROL STRUCTURE

**FINDING 00-1 —
Records of general
fixed assets
incomplete (20000)**

The State Controller's Office determined that the Coachella Valley Unified School District (CVUSD) does not maintain a complete record of general fixed assets related to the historical cost of all of its long-term property, such as land and buildings. This is a repeat of a prior-year finding.

Upon reviewing CVUSD's financial documents, it was noted that, as in prior years, CVUSD does not maintain a complete record of general fixed assets. This deficiency in recording the general fixed assets is due to CVUSD lacking historical cost information.

Education Code Section 35168 requires that a historical inventory be maintained of all items with a value exceeding \$500. Additionally, in June 1999 the Governmental Accounting Standards Board (GASB) issued a new standard that will significantly change the way school districts and county offices of education report their finances to the public. GASB 34 will require fixed assets to be valued so that information is available for inclusion in a statement of net assets. Once implemented (effective FY 2002-2003 for CVUSD), CVUSD should also begin calculating annual depreciation of these assets. As a result of not maintaining complete records of general fixed assets, CVUSD cannot maintain proper control over or properly safeguard its assets. In addition, long-term assets would be improperly valued, thereby causing the financial statements to either inaccurately reflect, or not reflect at all, the true value of the fixed assets.

Recommendation

CVUSD should maintain complete records of all items with a market value exceeding \$500. To be considered "in compliance" with *Education Code* Section 35168 and with the impending GASB 34 requirements, the fixed asset records should include land and buildings listed at historical cost. CVUSD should consider early implementation of GASB 34 in order to more accurately present the financial condition of the district.

Auditee's Response

Agree with the finding and recommendation. The district's Fiscal Services department is in the process of developing a plan to implement GASB 34 requirements by the 2002-2003 fiscal year (Phase 2).

**FINDING 00-2 —
Cash receipts not
deposited on time or
consistently (30000)**

The State Controller's Office determined that individual school sites are not timely or consistent in forwarding library fees and donations to the CVUSD offices. One school site used library fees to purchase items for the library, and another school site held donation checks for six months before forwarding the checks to the CVUSD office for deposit.

To determine the timeliness of deposits, cash receipt dates were reviewed and compared to actual deposit dates. If no deposit was made for a cash receipt, further inquiries were made as to the disposition of the monies.

CVUSD has no written policy for school-site handling of cash receipts. The school sites are using their own judgment in forwarding fees and donations to CVUSD offices.

Proper internal controls over cash receipt transactions include procedures to adequately safeguard assets and minimize errors and irregularities. These procedures include the timely and consistent deposit of all checks and cash receipts.

As a result of improper internal controls over cash and cash receipts at the individual sites, checks were not deposited on a timely or consistent basis. In addition, checks were held for too long and became stale-dated and unavailable for deposit.

Recommendation

Although library fees collected were immaterial to the financial statements, the district should implement standardized procedures for school-site handling of cash receipts such as library fees and donations. This should be in the form of a written district-wide policy that is presented to the school-site principal and employees who handle cash.

Auditee's Response

Agree with the finding and recommendation. The district will be developing a standard procedure for the handling of cash at school sites.

The procedure and necessary training will be distributed to all personnel that handle cash.

**FINDING 00-3 —
Prior-year interfund
payables not repaid
(30000)**

The State Controller's Office determined that prior-year interfund payables are not being repaid as required by *Education Code* Section 42603.

Upon reviewing interfund payable and receivable transactions and totals for appropriateness and correctness, the auditor noted that the following interfund payables were not repaid:

- \$39,889 due to the General Fund from the Bond Building Fund;
- \$73,457 due to the General Fund from the County School Facilities Fund;
- \$2,489,774 due to the General Fund from the State School Building Fund;
- \$46,582 due to the General Fund from the Adult Education Fund;
- \$2,190,740 due to the County School Facilities Fund from the State School Building Fund;
- \$1,467,071 due to the State School Building Fund from the General Fund;
- \$640,059 due to the State School Building Fund from the Bond Building Fund; and
- \$2,148,717 due to the State School Building Fund from the County School Facilities Fund.

The interfund payables were not repaid because funds were not available to repay the advance or CVUSD neglected to make the repayment.

Education Code Section 42603 requires that temporary borrowings be repaid in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of the fiscal year.

As CVUSD has not repaid the interfund payables within the required time limit, CVUSD is not in compliance with *Education Code* Section 42603.

Recommendation

To comply with *Education Code* Section 42603, the district should either promptly repay interfund borrowings, or the district board may resolve to make contributions to eliminate the interfund payables. In addition, the district should review its interfund payables and receivables to ensure that all funds are properly repaid within the prescribed time requirements.

Auditee's Response

Disagree with the finding. The interfund payables and receivables relating to the State School Building Fund are not the result of utilizing the provisions of *Education Code* 42603. The provisions of *Education Code* 42603 state "The governing board of a school district may direct that moneys held in any fund or account may be temporarily transferred to another fund or account of the district for payment of obligations."

In this district, the payments of obligations were paid from the general fund and special reserve fund and resulted in the creation of a liability in the State School Building Fund (SSBF). The obligations were not paid from the SSBF because of insufficient cash balances.

Education Code 42603 also states, "The transfer shall be accounted for as temporary borrowing Between fund or accounts..." There was no transfer of funds to the SSBF nor any temporary borrowing between the SSBF and other funds of this school district. The liability created in the SSBF will be paid upon receipt of revenue from the State.

Therefore, we do not concur with this finding or the interpretation of Education Code 42603 as it relates to the SSBF interfund payables and receivables.

During the 1999-2000 fiscal year, there were some State School Building Fund projects closed. Therefore, the interfund payables to the General Fund and Special Reserve Fund, will be reduced significantly during the 2000-2001 fiscal year. Other interfund payables due the General Fund from the Adult Education Fund and the Bond Building Fund will be cleared in the current fiscal year.

Auditor's Comment

Education Code Section 42603 requires that temporary borrowing between funds and accounts be repaid within the specified time requirement. Either the district should repay interfund borrowings within the specified time requirement or the district board should resolve to make contributions to eliminate the interfund payables.

**FINDING 00-4 —
Inventory valuation
method not in
conformance with
GAAP (30000)**

During the review of inventory, the State Controller's Office determined that Coachella Valley Unified School District (CVUSD) does not value its inventory in conformance with generally accepted accounting principles (GAAP).

In order to determine the accuracy of the inventory totals, inventory items were selected and tested for proper dollar valuations based upon CVUSD's method of valuing inventory for FY 1998-99 (FIFO valuation method). Based on the results of the tested items, it was determined that the district was not using a FIFO valuation for its inventory.

During FY 1999-2000, CVUSD implemented a new warehouse computer system. The system was set up for an inventory valuation method not in conformance with GAAP.

GAAP and the *California State School Accounting Manual* Procedure No. 605 state that the acceptable methods for valuing inventory are last-in-first-out (LIFO), first-in-first-out (FIFO), or weighted average basis. As CVUSD changed its valuation method from FIFO to a method that is not in conformance with GAAP, the inventory valuation is affected. Warehouse stock inventory is accounted for in the General Fund and the food service

inventory is accounted for in the Cafeteria Fund. Through further analytical testing, it was determined that the change in the valuation method does not have a material effect on the financial statements for either fund.

Recommendation

The district should change the valuation method used to account for inventory to a method in conformance with GAAP. These methods include FIFO, LIFO, or the weighted average method.

Auditee's Response

Agree with the finding and recommendation. The district's method of valuing inventory has been changed in the current fiscal year to conform with GAAP standards.

**FINDING 00-5 —
Substitute teachers'
time cards lack
proper approval
(30000)**

During the review of payroll transactions, the State Controller's Office noted that substitute teachers' time cards lack proper approval prior to payroll processing.

To determine whether CVUSD personnel time cards were properly approved prior to payroll processing, the auditor tested selected payroll transactions for proper approvals. The auditor found that substitute teachers' time cards consistently lacked proper approvals prior to payroll processing.

Payroll personnel indicated that appropriate site personnel do not want to sign substitute teachers' time cards, particularly when the substitute works at more than one site during the payroll period.

Proper internal controls should include procedures to approve substitute teachers' time cards prior to payroll processing.

Since internal controls are not operating as they should, payroll is being processed for substitute teachers without the proper supervisory approval.

Recommendation

The district should enforce internal control procedures for approving substitute teachers' time cards prior to payroll processing.

Auditee's Response

Agree with the finding and recommendation. A cooperative effort between the Fiscal Services and the Personnel Services departments will ensure that substitute teachers' time cards will have the proper approval prior to payroll processing.

**FINDING 00-6 —
Vacation retention
limits not enforced
(30000)**

The State Controller's Office noted that CVUSD is not enforcing the vacation retention limits for classified employees.

The auditor selected and tested personnel records as part of the internal control testing and determined that classified personnel were exceeding the vacation retention limits.

CVUSD has been deficient in enforcing the policy that requires the classified employees to carry over only one-half year's allocated vacation to the next year.

The employment contract between the California School Employees Association Chapter 109 (classified employees) and CVUSD states that "12-month employees may carry one-half year's allocated vacation over to the next year."

As a result of vacations not being taken, the year-end liability for CVUSD has increased substantially, from \$757,582 for FY 1997-98, to \$857,446 for FY 1998-99, to \$901,266 for FY 1999-2000. The vacation accrual is calculated at a current salary rate rather than the salary rate when the vacation time was actually accrued. Therefore, the accrued liability increases more than it should from one year to the next. In addition, proper internal controls should include procedures to verify that vacation retentions are in compliance with established policy.

Recommendation

The district should enforce the one-half year's vacation allocation carryover policy.

Auditee's Response

Agree with the finding and recommendation. The district will enforce the one-half year's vacation allocation carryover policy and department managers will monitor employees vacation requests to ensure that at least 50% of the yearly-accrued time is used by the classified employees. The district will develop a plan to reduce the vacation liability.

STUDENT BODY FUNDS

**FINDING 00-7 —
Associated Student
Body funds: internal
control deficiencies
(30000)**

In reviewing the internal controls over the Associated Student Body Fund, the State Controller's auditors noted the following breakdown of internal controls in the Associated Student Body (ASB) fund accounting:

- Incomplete forms in the football game ticket sales, grad night merchandise sales, dance D.J., and cash receipts.
- Cash receipts contained a mathematical error.

- Monies deposited and/or paid out for prom, scholarship, sales tax, and ASB cards did not agree with supporting documentation for these activities.
- One person handled all aspects of the yearbook activity. No segregation of duties occurred.

Appropriate internal controls over ASB activity documentation appear to be breaking down or are nonexistent. ASB advisors are accepting incomplete forms and supporting documentation that does not always agree with cash counts. In addition, an insufficient number of staff appear to be involved with ASB, which has lead to non-compliance with regard to documentation and duty segregation procedures.

Proper internal controls over ASB activities dictate that forms and paperwork should be properly and completely filled out, extensions should be tested to ensure mathematical accuracy, monies turned in for ASB activities should be double checked for agreement with supporting documentation, and duties should be properly segregated.

Accountability is not possible due to the lack of controls. This creates a possible concern that fraud or illegal acts may occur. The fiscal effect of each individual activity is immaterial but, taken district wide, could add up to a substantial amount.

Recommendation

The district should implement good internal control procedures that include:

- Procedures in which all paperwork or forms prepared by both staff advisors and student workers are reviewed for completeness and accuracy prior to acceptance by the ASB advisor;
- Supporting documentation should agree with the completed forms and monies deposited or disbursed; and
- Yearbook activity should be handled by more than one person so that duties may be properly segregated.

Auditee's Response

Agree with the finding and recommendation. The district will review current ASB procedures and will revise the procedures to include the auditors' recommendations. In addition, site administrators will be advised and will be provided with a guide to proper internal controls.

STATE COMPLIANCE

**FINDING 00-8 —
Adult Education
Program: deficient
course brochures
and incorrect course
titles (40000)**

In reviewing the Adult Education Program, the Controller's Office auditors noted that the FY 1999-2000 brochures used to advertise adult education courses to the general public were deficient.

The adult school brochure was obtained and reviewed for confirmation that the brochure contained the required criteria. The brochures did not contain a detailed listing of courses with the California Department of Education (CDE) approved names, times, and locations. CDE confirmed that compliance with Section 52523(a) of the *Education Code* and Section 101.1-5 of the *Adult Education Handbook* is required for the district to receive adult education program funding. Therefore, to determine the ineligible ADA, the auditors compared the brochures to the requirements outlined in the *Education Code* and the *Adult Education Handbook*. Once the auditors determined which courses did not meet *Education Code* and *Adult Education Handbook* requirements, the auditors ascertained the attendance associated with each course by using the adult education attendance report provided by the director of the Adult Education Program.

The following adult school courses were not approved by CDE:

- Basic Education/GED
- ABE/GED
- High School Subjects

Education Code Section 52523(a) states that adult education, at a minimum, shall meet the following criteria:

All programs, courses, and classes conducted as adult education shall be open to adults and listed in the district's brochure of adult education classes provided to the public and shall be under the supervision and jurisdiction of the adult education administrator as determined by the school district governing board.

In addition, CDE's *Adult Education Handbook for California*, 1997 Edition, Section 101.1-5, states:

Only titles as they appear on the Adult Education Course Approval Request Form are to be used on brochures, fliers, and other public communications with no modifications to the approved title. Finer detail of content or emphasis can be contained in descriptive sentences under each title or included after a slash or hyphen.

As a result of noncompliance with *Education Code* and *Adult Education Handbook* requirements, the district is not eligible to receive 43.36 ADA, or approximately \$86,836 in state funding, for FY 1999-2000.

Recommendation

The district should file a revised annual J-18/19 form. In addition, the Adult Education Program should develop course brochures that are in compliance with the applicable provisions of the *Education Code* and the *Adult Education Handbook*.

Auditee's Response

Disagree with the finding and recommendation. As per Education Code Section 52523(a), the District's adult education programs, courses and classes are open to adults and are listed in the District's brochure. All such programs, courses and classes offered during the 1999-2000 school year were approved by the California Department of Education ("CDE")¹. Finding 00-8 seems to conclude that CDE erred in approving certain of the programs, courses, and classes. Yet, Education Code section 52515 confers sole authority to approve such courses upon CDE. The SCO has no authority to override, through this finding, a decision which the Legislature has, by statute, conferred solely upon CDE. Indeed, SCO's K-12 Audit Guide (Jan. 2000 Ed., pg. 82) contemplates examination only of a "notice of receipt and records of course," as prepared by the Department of Education.

Moreover, CDE's decision to approve the District's adult education programs, courses, and classes is entirely consistent with relevant statutes and regulations. Education Code section 52523(a) contains no requirements which are identified as being conditions of apportionment. Moreover, that code section fails to specify the exact manner in which programs, courses, and classes must be "listed." The Adult Education Handbook for California, 1997 Education prepared by CDE states in the preface "...is intended to be a guide to day-to-day decision making as a program is administered." The District does not believe this Handbook to be a validly promulgated regulation. Additionally, the Handbook does not provide, explicitly or implicitly, that failure to comply with Section 101.1-5 constitutes the violation of a condition of apportionment, such as to require loss of ADA.

The District believes that it has fully complied with all relevant statutes and regulation, and that it is eligible to receive funding pertaining to all of its adult education courses.

¹ The draft audit indicates that "The following adult school courses were not approved by CDE...Basic Education/GED...ABE/GED...High School Subjects." Please note, however, that the District did not receive any apportionment for courses so titled. Rather, the only courses for which the District received an apportionment were those courses specifically approved by the Department of Education.

Auditor's Comment

Education Code Section 52523(a) states that adult education, at a minimum, shall meet the following criteria:

- (a) All programs, courses, and classes conducted as adult education shall be open to adults and listed in the district's brochure of adult education classes provided to the public and shall be under the supervision and jurisdiction of the adult education administrator as determined by the school district governing board.

In addition, CDE's *Adult Education Handbook for California* (1997 Edition), Section 101.1-5, states:

Only titles as they appear on the Adult Education Course Approval Request Form are to be used on brochures, fliers, and other public communications with no modifications to the approved title. Finer detail of content or emphasis can be contained in descriptive sentences under each title or included after a slash or hyphen.

The following adult school courses, as they are listed in the adult education brochure, were not approved by CDE:

- Basic Education/GED
- ABE/GED
- High School Subjects

**FINDING 00-9 —
Teachers'
attendance registers
not signed (10000)
(30000) (40000)**

Teachers' attendance registers for K-12, Adult School and Continuation Education programs do not consistently include the signature of the teacher who recorded student attendance.

The auditor reviewed selected teachers' registers to verify that student attendance was properly reported. Of the 175 teachers' attendance registers reviewed, 63 (36%) were missing the required teacher's signature.

Page 169 of the *Attendance Accounting and Reporting in California Public Schools* manual, published by CDE, states that "source documents must have signature lines for the person(s) who prepare them." Teachers' attendance registers are considered source documents.

The district did not enforce the requirement that the teacher responsible for the attendance must sign all attendance registers.

Because of the 36% error rate of the reviewed attendance registers, the SCO performed additional analytical procedures and found the attendance reported was consistent with prior-year attendance. Accordingly, the SCO accepts the integrity of the attendance registers for determining reported attendance.

CVUSD is not in compliance with the source document signature requirements. The deterioration of established internal controls increases the risk that errors and irregularities may occur and/or may not be detected in a timely manner.

Recommendation

The district should comply with the *Attendance Accounting and Reporting in California Public Schools* manual by ensuring that source documents used for attendance purposes have appropriate identifying and certification or approval information, including required signatures.

Auditee's Response

Agree with the finding and recommendation. The district has implemented a standardized attendance process that requires site administrators to insure the teacher signs the attendance registers.

**FINDING 00-10 —
Continuation high
school attendance
overstated (10000)
(40000)**

La Familia Continuation High School's average daily attendance (ADA) was overreported by 33.65 ADA. This was due to a clerical error.

The district implemented the Eagle attendance accounting system during the 1999-2000 school year. Due to lack of familiarity with the reports, the district used the wrong column total for reporting ADA at the second period.

Education Code Section 41601(a) states that the ADA in the regular elementary, middle, and high schools, including continuation schools and classes, opportunity schools and classes, and special day classes, maintained by the school districts shall be determined by dividing the total number of days of attendance allowed in all full school months in each period by the number of days the schools are actually taught in all full school months in each period.

CVUSD overreported 31.25 ADA for regular pupils and 2.40 ADA for special education pupils. The total fiscal impact is approximately \$135,415.

Recommendation

The district should submit a revised J-18/19 form for fiscal year 1999-2000 for the overclaimed ADA of 31.25 for regular pupils and 2.40 ADA for special education pupils at the continuation high school.

Auditee's Response

Agree with the finding and recommendation. The district will submit an amended J-18/19 for the fiscal year 1999-2000 for the overclaimed ADA of 31.25 for regular pupils and 2.40 ADA for special education pupils at La Familia Continuation High School.

**FINDING 00-11 —
Inadequate
documentation for
excused absences
(10000) (40000)**

The State Controller's Office noted that CVUSD's absence verification documentation (parental notes and telephone log entries) did not include all of the required critical elements.

In conjunction with the testing of the attendance records, the auditors tested excused absence documentation for compliance with *Education Code* Section 46010 and Title 5 of the *California Code of Regulations*, Section 421. Seventy-five notes and telephone log entries were tested and the following exceptions were found:

- One absence note was dated beyond the required 20 days;
- Four absence notes were missing the name, signature, and date the note was written; and

- Eight telephone log entries were missing the name of the verifying employee.

The *Education Code* and the *California Code of Regulations* require that absences must be verified by a district employee within 20 school days after the date of the absence.

Absence verification must include:

- Absent student's name;
- Name of the person who wrote the note (and relationship to student if other than parent or guardian);
- Date the note or the district verified the absence;
- Date of absence to which the note referred; and
- Reason for absence.

Telephone verification entries must include:

- Absent student's name;
- Name of the person contacted (and relationship to student if other than parent or guardian);
- Name of verifying school employee;
- Date absence was verified;
- Date of the absence being verified; and
- Reason for the absence.

CVUSD is not in compliance with the *Education Code* and the *California Code of Regulations*.

Recommendation

In the future, the district should comply with the requirements of the *Education Code* and the *California Code of Regulations* for excused absences.

Auditee's Response

Agree with the finding and recommendation. The district has implemented a standardized absence verification process that includes the use of a log containing the required information found in the *Education Code* and the *California Code of Regulations*. Site staff responsible for verification has been trained on the process.

FINDING 00-12 — Overstated attendance (10000) (40000)

In reviewing reported attendance, the auditor compared the district's attendance summaries to the teachers' registers and found that attendance was overreported for Mecca School. For grades 4-6, the district overreported the attendance by 8.6 ADA. For grades 7-8, the district overreported the attendance by 8.9 ADA.

The auditors tested a three-month sample of attendance registers for ten teachers. The district's attendance clerk manually entered the attendance register data into the district's attendance system, which is used to generate the second-period report.

The overreporting occurred because the teachers' attendance registers were difficult for the attendance clerk to read. As a result, student attendance was double counted. In addition, absence and tardy coding was applied inconsistently among the various teachers.

Education Code Sections 46110 and 46140 stipulate that no pupil shall be credited with more than one day of attendance on any calendar day.

The fiscal impact of the overstatement is \$70,593.

In the current year, 2000-2001, the district has introduced scantron registers in order to ensure consistency in the attendance records. Teachers have been trained in the proper completion of these forms. The district is currently working to implement the scanning process.

Recommendation

CVUSD should submit a revised J-18/19 form for FY 1999-2000 to reduce the ADA that was overreported: 8.6 ADA for grades 4-6 and 8.9 ADA for grades 7-8.

Auditee's Response

Disagree with the finding and recommendation. The district will submit an amended J-18/19 after an internal audit at Mecca school is conducted to verify that the auditor's over reported ADA is correct.

Auditor's Comment

Education Code Sections 46110 and 46140 stipulate that no pupil shall be credited with more than one day of attendance on any calendar day.

Comparison of the district's attendance summaries to the teachers' registers determined an overreporting of attendance at Mecca School.

FINDING 00-13 — Kindergarten instructional minutes deficiencies (40000)

During the review of instructional time, the State Controller's Office noted that the kindergarten instructional minutes did not meet the criteria required by *Education Code* Section 46201.

The instructional minutes were non-compliant because CVUSD included a 30-minute lunch period in the total kindergarten instructional minutes. The auditor noted that lesson plans stated "lunch" with no descriptions of lessons or activities that would occur. Of the 23 lesson plans reviewed, 4 noted "aide walks students to cafeteria."

To comply with the longer day requirements, the district must offer the greater of either the 1982-83 actual minutes of 31,500 or the 1986-87 *Education Code* requirement of 36,000 minutes. The district's 1999-2000 actual minutes offered of 32,220 were less than the 1986-87 minutes offered requirement of 36,000, resulting in a deficiency of 3,780 minutes. The fiscal impact of the deficiency is \$87,478, calculated as follows:

Longer Day Penalty - Kindergarten

FY 1999-2000 kindergarten school average daily attendance	974.58
Revenue incentive funding factor	X 89.76
TOTAL	\$ 87,478

In addition, the kindergarten instructional minutes did not meet the criteria required by *Education Code* Section 46200(b) for longer year incentive. To qualify for the longer year incentive, the district must offer at least 180 days consisting of no less than the required minimum of 180 instructional minutes. The district offered only 174 days at 180 minutes and 6 days at 150 minutes. The fiscal impact of the deficiency is \$54,021, calculated as follows:

Longer Year Penalty - Kindergarten

FY 1999-2000 kindergarten school average daily attendance	974.58
Revenue incentive funding factor	X 55.43
TOTAL	\$ 54,021

The total fiscal impact of the longer day and longer year penalties is \$141,499.

Recommendation

The district should make provisions with the California Department of Education for the payment of \$141,499 for instructional time penalties.

In the future, the district should monitor the instructional minutes to ensure compliance with *Education Code* Section 46201.

Auditee's Response

Disagree with the finding and recommendation. Finding 00-13 seems to conclude that a 30-minute nutritional break was improperly included in the total Kindergarten instructional minutes reported on certain of the District's Kindergarten classrooms. The basis for this finding, however, is entirely unclear. Finding 00-13 reports that "the kindergarten instructional minutes did not meet the criteria required by *Education Code* section 46201." Yet, section 46201 specifies no criteria, and instead refers only to "instructional time." Finding 00-13 additionally notes that "lesson plans stated 'lunch' with no descriptions of lessons or activities that would occur. Of the 23 lesson plans reviewed, 4 noted 'aide walks students to cafeteria.'" However, the lesson plans in question pertain to the 2000-2001 school year, not the 1999-2000 school year. Moreover, no statute or regulation requires, as a condition of apportionment, that lesson plans contain a full explanation of the educational activities pertaining to each segment of the instructional day. What is more, the use of the word "lunch" on these lesson plans is of no significance, as the proper focus of any inquiry must be upon the amount of "instructional time" actually experienced by the students, rather than an auditor's interpretation of one word appearing on a lesson plan. Also, the District has reviewed the lesson plans in question, and some contain detailed explanations as to the educational activities which will take place during the 30-minute nutritional break.

In any event, the 30-minute nutritional break clearly constitutes instructional time for a kindergarten classroom. The Legislature, in the course of authorizing Early Primary Programs, lamented the fact that:

Preschool and kindergarten programs have become more academically oriented with an emphasis on paper and pencil "seat work" and a decreased emphasis on other essential age-appropriate curricular elements such as language development; familiarity with stories, music and oral language experiences; artistic exploration; social interaction; and large muscle development.

Education Code section 8970(a)(1). See also, *Education Code* 8971(b).

Thus, there is clearly-expressed legislative preference for non-academic "curricular elements" in Kindergarten classrooms. The 30-minute nutritional break provides at least the following "essential age-appropriate curricular elements": (1) guided practice portion of an oral language lesson; (2) social interaction; and (3) large muscle development. The physical needs of children also demand that a nutritional break be included during the school day. Additionally, with regard to use of instructional aides, *Education Code* section 45344 specifically provides that:

An instructional aide shall perform only such duties as, in the judgement of the certificated personnel to whom the instructional aide is assigned, may be performed by a person not licensed as a classroom teacher...An instructional aide need not perform such duties in the physical presence of the teacher but the teacher shall retain his responsibility for the instruction and supervision of the pupils in his charge.

Education Code section 45344(a).

Thus, the appropriate use of instructional aides, including duties outside the physical presence of the teacher, is a matter entrusted by the Legislature to teachers, not to the District at large, and certainly not to Office of the State Controller.

Additionally, the District is unclear as to the methodology, if any, which SCO utilized in calculating the proposed \$141,499 penalty. In particular, it is unclear how SCO arrived at the figure of 974.58 ADA.

The District believes that there is no statutory or regulatory basis for SCO to substitute its own ad hoc definition of instructional time for that of the District or for SCO to substitute its own judgement regarding appropriate use of instructional aides for that of the District's teachers. Indeed, SCO's K-12 Audit Guide (Jan. 2000 Ed.) contains no indication that auditors should make determinations as to what is, and what is not, instructional time. The District additionally believes that it has fully complied with all relevant statutes and regulations, and that no Kindergarten instructional time penalty is lawful or appropriate.

Auditor's Comment

The instructional minutes were inaccurate because CVUSD included the kindergarten students' lunch period in the total instructional minutes.

Page 61 of the *Attendance Accounting and Reporting in California Public Schools* manual states, "Noon intermissions" (lunch periods) are expressly precluded from being credited toward the minimum day in elementary schools, and only in kindergarten is recess counted as part of the minimum schoolday."

To comply with the longer day requirements, the district must offer the greater of either the 1982-83 actual minutes of 31,500 or the 1986-87 *Education Code* requirement of 36,000 minutes. The district's 1999-2000 actual minutes offered of 32,220 were less than the 1986-87 minutes-offered requirement of 36,000, resulting in a deficiency of 3,780 minutes.

The kindergarten instructional minutes did not meet the criteria required by *Education Code* Section 46200(b) for longer year incentives. To qualify for the longer year incentives, the district must offer at least 180 days, each consisting of no less than the required minimum of 180 instructional minutes. The district offered only 174 days at 180 minutes and 6 days at 150 minutes.

**FINDING 00-14 —
Kindergarten
retentions not in
compliance with
statutory
requirements
(40000)**

As part of the review of attendance, the State Controller's Office found that CVUSD's kindergarten retentions were not in compliance with the *Education Code*.

For the audit period, CVUSD's records reviewed included nine kindergarten students who were retained. The auditors examined the agreements to retain and found that eight of the kindergarten retentions did not meet the requirements of *Education Code* Section 46300(g).

The auditor found that three of the nine retention forms were handwritten and the remaining five forms did not contain the essential elements.

Education Code Section 46300(g) states that, after a child has been lawfully admitted to kindergarten and has attended for a year, the child shall be promoted to the first grade unless the school district and the child's parent/guardian agree to the child's retention in kindergarten for not longer than one additional year. In addition, kindergarten retentions must be supported by an agreement to retain form, which includes the following essential elements:

- Name of the pupil
- Kindergarten attendance anniversary date
- Name of school official approving for the district
- Signature of parent/guardian and dated
- Printed/typed name of parent/guardian
- Address of parent/guardian
- Telephone number of parent/guardian

The fiscal impact of the noncompliance with *Education Code* Section 46300(g) is 7.50 ADA, approximately \$30,254. In response to this finding, the district has developed a retention form that incorporates the required information. The district has indicated that, in the future, this form will be used consistently throughout the applicable school sites.

Recommendation

The district should submit a revised J-18/19 form for FY 1999-2000 to reduce the ADA resulting from noncompliant kindergarten retentions. In the future, the district should monitor kindergarten retentions to ensure compliance with statutory requirements.

Auditee's Response

Disagree with the finding and recommendation. The District requires further time to examine this finding. The District may also consider filing a waiver pursuant to *Education Code* 41609.

Auditor's Comment

School sites lacked adequate retention documentation, causing CVUSD to be non-compliant with *Education Code* 46300(g).

Education Code 46300(g) provides that, after a child has been lawfully admitted to kindergarten and has attended for a year, the child shall be promoted to the first grade unless the school district and the child's parent/guardian agree to the child's retention in kindergarten for not longer than one additional year. In addition, kindergarten retentions must be supported by an agreement to retain form that includes the following essential elements:

- Name of the pupil
- Kindergarten attendance anniversary date
- Name of school official approving for the district
- Signature of parent/guardian and dated
- Printed/typed name of parent/guardian
- Address of parent/guardian
- Telephone number of parent/guardian

FINDING 00-15 — Special Education: exceeded caseload limits (30000) (40000)

In reviewing the Special Education program, the auditor found that CVUSD exceeded the 28-pupil caseload limit for the special education resource specialist. CVUSD also exceeded the 68-pupil caseload limit for the special education speech pathologist.

Three of the four resource specialists tested had caseloads within the 28-pupil limit. However, the fourth resource specialist tested exceeded the caseload limit by 2 pupils.

The speech pathologist's caseload testing disclosed that the limit of 68 cases was exceeded by 35 pupils.

Education Code Section 56362 identifies the caseload limit at 28 cases for the special education resource specialist. The local plan identifies the caseload limit at 68 cases for the special education speech pathologist.

Although recruitment efforts were in place, CVUSD was unable to attract new staff to provide adequate caseload coverage, due in part to the desert location of CVUSD.

When caseloads are exceeded, pupils may not receive the appropriate level of individualized attention necessary for monitoring their progress.

Recommendation

CVUSD must ensure that special education personnel caseloads are in compliance with the requirements of the *Education Code* and the local plan.

Auditee's Response

Agree with the finding and recommendation. The finding states that the caseload for one out of four resource specialist programs tested exceeded the limit by 2 pupils. Documentation previously provided to the auditors from the Director of Special Education states that when the psychologist for that school site informed the Director that the case load was coming close to the maximum number, (in late March), an additional staff person was hired (April 11) to serve the students at the impacted school. Therefore students in this program "...did receive the appropriate level of individualized attention necessary for monitoring their progress"

The district agrees with the finding regarding the speech pathologist's caseload exceeding the limit by 35 pupils. Extensive recruitment efforts did not locate an additional therapist until May 22, 2000. This new position has reduced the caseload in question to 66 for the 2000-01 school year.

FEDERAL PROGRAM COMPLIANCE

FINDING 00-16 — Special Education: certifications not signed (30000) (50000)

In the review of the semi-annual certifications, special education personnel who are 100% funded from Special Education funds did not sign semi-annual certifications as required by the *Office of Management and Budget (OMB) Circular A-87*.

The semi-annual certifications were reviewed as part of compliance testing of the Special Education programs.

OMB Circular A-87, Section 11(h)(3), states:

If an employee is funded solely (100%) from a single federal categorical program, the minimum requirement for documenting salary or wages is a semi-annual certification by the employee that he/she worked solely on that federal categorical or cost objective. The certification must be signed by the employee or by the supervisor having first hand knowledge of the work performed.

CVUSD did not properly maintain adequate time/attendance documentation as required by OMB.

Recommendation

The district should comply with OMB Circular A-87, which requires all employees who are 100% funded from a single federal award program to sign semi-annual certifications. This can be accomplished by performing a periodic review of records for those employees who charge time to federal categorical programs.

Auditee's Response

Agree with the finding and recommendation. The district has complied with the OMB Circular A-87 and all employees that are 100% funded from a single federal award program will sign semi-annual certifications.

FINDING 00-17 — Special Education: late Individual Education Plans (IEP), reviews, and reassessments (50000)

Exceptions were identified for Special Education pupil IEPs, annual reviews, and three-year reassessments. As part of the compliance testing of CVUSD's Special Education programs, 25 Special Education files were reviewed and exceptions were noted as follows:

- Two of 25 special education files reviewed did not include an IEP within the timeframe required by the *Code of Federal Regulations* Section 300.235 and *Education Code* Section 56344. An IEP must be developed within a time not to exceed 50 days from the date of the parent's written consent for assessment. For one pupil, the parent's consent was dated February 14, 2000, with the IEP completed on June 14, 2000, approximately 70 days after it was due. The other pupil had a parent consent date of December 7, 1999, with the IEP completed on March 9, 2000, approximately 40 days after it was due.
- One of the 25 special education files tested did not include an annual review. Annual reviews are a requirement of the *Code of Federal Regulations* Section 300.552 and *Education Code* Section 56343.
- Five of 25 special education files reviewed did not include pupil reassessments according to federal and state requirements. The *Code of Federal Regulations* Section 300.536(b) and *Education Code* Section 56381 require that reevaluations (reassessments) must be conducted at least once every three years. Three reassessments were late and two were not found in the pupil files.

Special Education personnel failed to complete the IEPs, reviews, and reassessments as required.

The IEPs, reviews, and reassessments are necessary for continual monitoring of the pupil's progress and individualized education program. This allows for the appropriate placement of the pupil within the education system.

Recommendation

CVUSD should ensure that the student IEPs, reviews, and reassessments are completed according to the federal regulations and the *Education Code*.

Auditee's Response

Agree with the finding and recommendation. The district's Special Education Department has implemented a comprehensive monitoring process that ensures student' IEP's, reviews, and reassessments will be completed according to federal regulations.

**FINDING 00-18 —
Technology
Literacy: missing
certificates (30000)
(50000)**

During compliance testing of the Technology Literacy Grant, the auditors noted that CVUSD purchased a Rolling Researchers Vehicle for \$124,135 and did not obtain the vendor's suspension/debarment certificates as required by the *Office of Management and Budget (OMB) Circular A-110*.

OMB Circular A-110 stipulates that non-federal entities are prohibited from making covered transactions to parties that are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000.

Without obtaining suspension/debarment certificates, CVUSD may inadvertently contract with or make subawards with parties that are suspended or debarred or whose principals have been debarred.

Recommendation

CVUSD should develop and follow a procurement policy specific to federal awards to ensure that suspension/debarment certificates are obtained for individual awards over \$100,000.

Auditee's Response

Agree with the finding and recommendation. The district was unaware that a suspension/debarment certificate was required for individual awards over \$100,000. The district will obtain certificates in the future.

Status of Prior Year Findings and Recommendations

Recommendations	Current Status
<u>INTERNAL CONTROL STRUCTURE</u>	
All checks received by the district should be deposited on a timely basis.	Not implemented; repeated as Finding 00-2
Invoices to be paid should have extensions tested to ensure mathematical accuracy.	Implemented
Cash disbursements should include supporting documentation for each paid invoice maintained in a file for audit.	Implemented
Invoices should include the approval of authorized personnel and should be canceled upon payment to prevent reuse.	Implemented
To maintain proper control over fixed assets, the district should maintain complete records of all items with a market value exceeding \$500. In accordance with <i>Education Code</i> Section 35168, these records should include land and buildings listed at historical cost.	Not implemented; repeated as Finding 00-1
Prior-year interfund receivables were not repaid in the same fiscal year or in the following fiscal year.	Repeated as Finding 00-3

Attachment

Auditee's Response to Audit Report

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**INTERNAL CONTROL STRUCTURE****Finding 00-1: Records of general fixed assets Incomplete (2000)**

Response: Agree with the finding and recommendation.

The district's Fiscal Services department is in the process of developing a plan to implement GASB 34 requirements by the 2002-2003 fiscal year (Phase 2).

Finding 00-2: Cash receipts not deposited on time or consistently (30000)

Response: Agree with the finding and recommendation.

The district will be developing a standard procedure for the handling of cash at school sites.

The procedure and necessary training will be distributed to all personnel that handle cash.

Finding 00-3: Prior-year interfund payables not repaid (3000)

Response: Disagree with the finding.

The interfund payables and receivables relating to the State School Building Fund are not the result of utilizing the provisions of Education Code 42603. The provisions of EC 42603 state "The governing board of a school district may direct that moneys held in any fund or account may be temporarily transferred to another fund or account of the district for payment of obligations."

In this district, the payments of obligations were paid from the general fund and special reserve fund and resulted in the creation of a liability in the State School Building Fund (SSBF). The obligations were not paid from the SSBF because of insufficient cash balances.

EC 42603 also states, "The transfer shall be accounted for as temporary borrowing Between fund or accounts..." There was no transfer of funds to the SSBF nor any temporary borrowing between the SSBF and other funds of this school district. The liability created in the SSBF will be paid upon receipt of revenue from the State.

Therefore, we do not concur with this finding or the interpretation of EC 42603 as it relates to the SSBF interfund payables and receivables.

During the 1999-2000 fiscal year, there were some State School Building Fund projects closed. Therefore, the interfund payables to the General Fund and Special Reserve Fund, will be reduced significantly during the 2000-2001 fiscal year. Other interfund payables due the General Fund from the Adult Education Fund and the Bond Building Fund will be cleared in the current fiscal year.

Finding 00-4: Inventory valuation method not in conformance with GAAP (3000)

Response: Agree with the finding and recommendation.
The district's method of valuing inventory has been changed in the current fiscal year to conform with GAAP standards.

Finding 00-5: Substitute teachers' time cards lacking proper approval (3000)

Response: Agree with the finding and recommendation.
A cooperative effort between the Fiscal Services and the Personnel Services departments will ensure that substitute teachers' time cards will have the proper approval prior to payroll processing.

Finding 00-6: Vacation retention limits not enforced (30000)

Response: Agree with the finding and recommendation.
The district will enforce the one-half year's vacation allocation carryover policy and department managers will monitor employees vacation requests to ensure that at least 50% of the yearly-accrued time is used by the classified employees. The district will develop a plan to reduce the vacation liability.

STUDENT BODY FUNDS

Finding 00-7: Associated Student Body funds: Internal control deficiencies (30000)

Response: Agree with the finding and recommendation.
The district will review current ASB procedures and will revise the procedures to include the auditors' recommendations. In addition, site administrators will be advised and will be provided with a guide to proper internal controls.

Finding 00-8: Adult Education Program: deficient course brochures and incorrect course titles (40000)

Response: Disagree with the finding and recommendation.

As per Education Code Section 52523(a), the District's adult education programs, courses and classes are open to adults and are listed in the District's brochure. All such programs, courses and classes offered during the 1999-2000 school year were approved by the California Department of Education ("CDE").¹ Finding 00-8 seems to conclude that CDE erred in approving certain of these programs, courses, and classes. Yet, Education Code section 52515 confers sole authority to approve such courses upon CDE. The SCO has no authority to override, through this finding, a decision which the Legislature has, by statute, conferred solely upon CDE. Indeed, SCO's K-12 Audit Guide (Jan. 2000 Ed., pg. 82) contemplates examination only of a "notice of receipt and records of course," as prepared by the Department of Education.

Moreover, CDE's decision to approve the District's adult education programs, courses, and classes is entirely consistent with relevant statutes and regulations. Education Code section 52523(a) contains no requirements which are identified as being conditions of apportionment. Moreover, that code section fails to specify the exact manner in which programs, courses, and classes must be "listed." The Adult Education Handbook for California, 1997 Education prepared by CDE states in the preface "... is intended to be a guide to day-to-day decision making as a program is administered." The District does not believe this Handbook to be a validly promulgated regulation. Additionally, the Handbook does not provide, explicitly or implicitly, that failure to comply with Section 101.1-5 constitutes the violation of a condition of apportionment, such as to require loss of ADA.

The District believes that it has fully complied with all relevant statutes and regulations, and that it is eligible to receive funding pertaining to all of its adult education courses.

Finding 00-9: Teachers' attendance registers not signed (10000) (30000) (40000)

Response: Agree with the finding and recommendation.

The district has implemented a standardized attendance process that requires site administrators to insure the teacher signs the attendance registers.

¹ The draft audit indicates that "The following adult school courses were not approved by CDE. . . Basic Education/GED . . . ABE/GED . . . High School Subjects." Please note, however, that the District did not receive any apportionment for courses so titled. Rather, the only courses for which the District received an apportionment were those courses specifically approved by the Department of Education.

Finding 00-10 Continuation high school attendance overstated (10000)(40000)

Response: Agree with the finding and recommendation.

The district will submit an amended J-18/19 for the fiscal year 1999-2000 for the overclaimed ADA of 31.25 for regular pupils and 2.40 ADA for special education pupils at La Familia Continuation High School.

Finding 00-11 Inadequate documentation for excused absences

Response: Agree with the finding and recommendation.

The district has implemented a standardized absence verification process that includes the use of a log containing the required information found in the Education Code and the California Code of Regulations. Site staff responsible for verification has been trained on the process.

Finding 00-12: Overstated Attendance (10000) (40000)

Response: Disagree with the finding and recommendation.

The district will submit an amended J-18/19 after an internal audit at Mecca school is conducted to verify that the auditor's over reported ADA is correct.

Finding 00-13: Kindergarten instructional minutes deficiencies

Response: Disagree with the finding and recommendation.

Finding 00-13 seems to conclude that a 30-minute nutritional break was improperly included in the total Kindergarten instructional minutes reported on certain of the District's Kindergarten classrooms. The basis for this finding, however, is entirely unclear. Finding 00-13 reports that "the kindergarten instructional minutes did not meet the criteria required by Education Code section 46201." Yet, section 46201 specifies no criteria, and instead refers only to "instructional time." Finding 00-13 additionally notes that "lesson plans stated 'lunch' with no descriptions of lessons or activities that would occur. Of the 23 lesson plans reviewed, 4 noted 'aide walks students to cafeteria.'" However, the lesson plans in question pertain to the 2000-2001 school year, not the 1999-2000 school year. Moreover, no statute or regulation requires, as a condition of apportionment, that lesson plans contain a full explanation of the educational activities pertaining to each segment of the instructional day. What is more, the use of the word "lunch" on these lesson plans is of no significance, as the proper focus of any inquiry must be upon the amount of "instructional time" actually experienced by the students, rather than an auditor's interpretation of one word appearing on a lesson plan. Also, the District has reviewed the lesson plans in question, and some contain

detailed explanations as to the educational activities which will take place during the 30-minute nutritional break.

In any event, the 30-minute nutritional break clearly constitutes instructional time for a kindergarten classroom. The Legislature, in the course of authorizing Early Primary Programs, lamented the fact that:

Preschool and kindergarten programs have become more academically oriented with an emphasis on paper and pencil "seat work" and a decreased emphasis on other essential age-appropriate curricular elements such as language development; familiarity with stories, music, and oral language experiences; artistic exploration; social interaction; and large muscle development.

Education Code section 8970(a)(1). See also, Education Code 8971(b).

Thus, there is clearly-expressed legislative preference for non-academic "curricular elements" in Kindergarten classrooms. The 30-minute nutritional break provides at least the following "essential age-appropriate curricular elements": (1) guided practice portion of an oral language lesson; (2) social interaction; and (3) large muscle development. The physical needs of children also demand that a nutritional break be included during the school day. Additionally, with regard to use of instructional aides, Education Code section 45344 specifically provides that:

An instructional aide shall perform only such duties as, in the judgement of the certificated personnel to whom the instructional aide is assigned, may be performed by a person not licensed as a classroom teacher . . . An instructional aide need not perform such duties in the physical presence of the teacher but the teacher shall retain his responsibility for the instruction and supervision of the pupils in his charge.

Education Code section 45344(a).

Thus, the appropriate use of instructional aides, including duties outside the physical presence of the teacher, is a matter entrusted by the Legislature to teachers, not to the District at large, and certainly not to Office of the State Controller.

Additionally, the District is unclear as to the methodology, if any, which SCO utilized in calculating the proposed \$141,499 penalty. In particular, it is unclear how SCO arrived at the figure of 974.58 ADA.

The District believes that there is no statutory or regulatory basis for SCO to substitute its own ad hoc definition of instructional time for that of the

District or for SCO to substitute its own judgement regarding appropriate use of instructional aides for that of the District's teachers. Indeed, SCO's K-12 Audit Guide (Jan. 2000 Ed.) contains no indication that auditors should make determinations as to what is, and what is not, instructional time. The District additionally believes that it has fully complied with all relevant statutes and regulations, and that no Kindergarten instructional time penalty is lawful or appropriate.

Finding 00-14: Kindergarten retentions not in compliance with statutory requirements (4000)

Response: Disagree with the finding and recommendation.
The District requires further time to examine this finding. The District may also consider filing a waiver pursuant to Education Code 41609.

Finding 00-15: Special Education: exceeded caseload limits (30000)(40000)

Response: Agree with the finding and recommendation.
The finding states that the caseload for one out of four resource specialist programs tested exceeded the limit by 2 pupils. Documentation previously provided to the auditors from the Director of Special Education states that when the psychologist for that school site informed the Director that the case load was coming close to the maximum number, (in late March), an additional staff person was hired (April 11) to serve the students at the impacted school. Therefore students in this program "...did receive the appropriate level of individualized attention necessary for monitoring their progress"

The district agrees with the finding regarding the speech pathologist's caseload exceeding the limit by 35 pupils. Extensive recruitment efforts did not locate an additional therapist until May 22, 2000. This new position has reduced the caseload in question to 66 for the 2000-01 school year.

Finding 00-16: Special Education: certificates not signed (30000) (40000)

Response: Agree with the finding and recommendation.
The district has complied with the OMB Circular A-87 and all employees that are 100% funded from a single federal award program will sign semi-annual certifications.

Finding 00-17: Special Education: late Individual Education plans (IEP) reviews, and reassessments (5000)

Response: Agree with the finding and recommendation.

The district's Special Education Department has implemented a comprehensive monitoring process that ensures student IEP's, reviews, and reassessments will be completed according to federal regulations.

Finding 00-18: Technology Literacy: missing certificates (3000)(50000)

Response: Agree with the finding and recommendation.

The district was unaware that a suspension/debarment certificate was required for individual awards over \$100,000. The district will obtain certificates in the future.