



**KATHLEEN CONNELL**  
**Controller of the State of California**

December 17, 2001

Mrs. Marguerite Freeman, Board President  
Coachella Valley Unified School District  
Post Office Box 847  
Thermal, CA 92274

Dear Mrs. Freeman:

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, 2001.

The audit disclosed several instances of noncompliance, 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, 7<sup>th</sup> Floor  
Sacramento, California 95814

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

Sincerely,

A handwritten signature in cursive script, reading "Kathleen Connell", is positioned below the word "Sincerely,".

KATHLEEN CONNELL  
California State Controller

cc: Michael Keebler  
State Appointed Trustee  
Coachella Valley Unified School District  
Foch "Tut" Pensis  
District Superintendent  
Coachella Valley Unified School District  
Carey Carlson  
Assistant Superintendent, Business Services  
Coachella Valley Unified School District  
Michael Wells  
Board Vice President  
Coachella Valley Unified School District  
Maria E. Rios  
Board Clerk  
Coachella Valley Unified School District  
Juanita D. Duarte  
Board Member  
Coachella Valley Unified School District  
Gary Funtas  
Board Member  
Coachella Valley Unified School District  
Joe Murillo  
Board Member  
Coachella Valley Unified School District  
Anna Rodriguez  
Board Member  
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

# Contents

	<u>Exhibit</u>	<u>Page</u>
<b>FINANCIAL SECTION</b>		
<b>Independent Auditor's Report .....</b>		<b>1</b>
<b>Combined Statements:</b>		
<b>Combined Balance Sheet — All Fund Types and Account Groups.....</b>	<b>1</b>	<b>3</b>
<b>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — All Governmental Fund Types and Expendable Trust Funds .....</b>	<b>2</b>	<b>4</b>
<b>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — All Governmental Fund Types .....</b>	<b>3</b>	<b>6</b>
<b>Statement of Revenues, Expenses, and Changes in Retained Earnings — Proprietary Fund Type — Internal Service Fund .....</b>	<b>4</b>	<b>8</b>
<b>Statement of Revenues, Expenses, and Changes in Retained Earnings — Proprietary Fund Type — Budget and Actual — Internal Service Fund .....</b>	<b>5</b>	<b>9</b>
<b>Statement of Cash Flows — Proprietary Fund Type — Internal Service Fund .....</b>	<b>6</b>	<b>10</b>
<b>Notes to the Financial Statements.....</b>		<b>11</b>
<b>Combining Financial Statements:</b>		
<b><u>Special Revenue Funds</u></b>		
<b>Combining Balance Sheet.....</b>	<b>A-1</b>	<b>29</b>
<b>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....</b>	<b>A-2</b>	<b>30</b>
<b>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual.....</b>	<b>A-3</b>	<b>32</b>

	<u>Exhibit</u>	<u>Page</u>
<b><u>Capital Projects Funds</u></b>		
Combining Balance Sheet .....	B-1	34
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	B-2	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual .....	B-3	36
<b><u>Trust and Agency Funds</u></b>		
Combining Balance Sheet .....	C-1	39
Combining Statement of Changes in Assets and Liabilities .....	C-2	40
<b>SUPPLEMENTARY INFORMATION SECTION</b>		
Organization .....		45
Schedule of Average Daily Attendance .....		46
Schedule of Instructional Time .....		47
Schedule of Financial Trends and Analysis .....		48
Schedule of Expenditures of Federal Awards .....		49
Reconciliation of Annual Financial and Budget Report (J-200) With Audited Financial Statements .....		50
<b>OTHER INDEPENDENT AUDITOR'S REPORTS</b>		
Report on Compliance and on Internal Controls Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....		53
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....		55
Auditor's Report on State Compliance .....		57
<b>FINDINGS AND RECOMMENDATIONS SECTION</b>		
Schedule of Audit Findings and Questioned Costs .....		61
Findings and Recommendations .....		63
Status of Prior Year Findings and Recommendations .....		73
<b>Attachment 1—Management Letter</b>		
<b>Attachment 2—Auditee's Response to Audit Report</b>		

## **FINANCIAL SECTION**

---

**Blank Page**



**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**

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, 2001, 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 general-purpose financial statements based on the audit.

The State Controller's Office conducted its audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

In the opinion of the State Controller's Office, except for the omission of a statement of general fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Coachella Valley Unified School District as of June 30, 2001, and the results of its operations and the cash flow of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1G3 to the financial statements, in fiscal year 2000-01 the district changed from an unacceptable method of accounting for inventory valuation to an acceptable method, weighted-average. The change in the accounting principle has been accounted for as a correction of an error. The result of the change to weighted-average inventory valuation method also represents a change of accounting principle. The district used First-In-First-Out (FIFO) as the inventory valuation method in the years before fiscal year 1999-2000. Since the inventory account represents 0.4% of the total assets of the district, the change does not have a material effect on the financial statements as a whole. No retroactive restatement or cumulative effect is presented in the financial statements.

In accordance with *Government Auditing Standards*, the State Controller's Office has also issued its report dated November 2, 2001, 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 the State Controller's audit.

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, Chief  
Division of Audits

November 2, 2001



## Exhibit 1

# Combined Balance Sheet

## All Fund Types and Account Groups

### June 30, 2001

	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)
<b>Assets</b>								
Cash in county treasury (Note 2)	\$ 15,158,818	\$ 748,731	\$ 1,180,142	\$ 8,331,919	\$ 267,652	—	—	\$ 25,687,262
Cash in banks (Note 2)	—	458,007	—	—	—	\$ 498,587	—	956,594
Cash in revolving fund (Note 2)	20,000	—	—	—	—	—	—	20,000
Cash with fiscal agent (Note 2)	—	—	—	866,492	—	—	—	866,492
Cash collections awaiting deposit (Note 2)	384,907	5,624	—	249,084	121,464	—	—	761,079
Accounts receivable (Note 4)	5,603,718	1,171,449	—	169,038	3,425	—	—	6,947,630
Due from other funds (Note 5)	386,136	250,000	—	1,410,584	—	—	—	2,046,720
Inventories (Note 1G3)	155,933	147,954	—	—	—	—	—	303,887
Other current assets	—	108	—	—	—	—	—	108
Amount to be provided for retirement	—	—	—	—	—	—	\$ 30,175,320	30,175,320
Amount available in other funds	—	—	—	—	—	—	1,837,668	1,837,668
<b>Total assets</b>	<b>\$ 21,709,512</b>	<b>\$ 2,781,873</b>	<b>\$ 1,180,142</b>	<b>\$ 11,027,117</b>	<b>\$ 392,541</b>	<b>\$ 498,587</b>	<b>\$ 32,012,988</b>	<b>\$ 69,602,760</b>
<b>Liabilities and fund equity</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 2,490,108	\$ 413,423	—	\$ 555,302	—	—	—	\$ 3,458,833
Due to other funds (Note 5)	250,000	230,985	—	1,565,735	—	—	—	2,046,720
Other current liabilities	—	250,849	—	—	—	—	—	250,849
Due to student groups	—	—	—	—	—	\$ 475,530	—	475,530
Deferred revenue	5,110,955	—	—	—	—	—	—	5,110,955
Certificates of participation (Note 6)	—	—	—	—	—	—	\$ 6,050,000	6,050,000
Emergency apportionment loan (Note 9)	—	—	—	—	—	—	910,679	910,679
Compensated absences (Note 1G6)	—	—	—	—	—	—	620,039	620,039
General long-term debt (Note 7)	—	—	—	—	—	—	19,344,278	19,344,278
Capital lease (Note 8)	—	—	—	—	—	—	3,847,734	3,847,734
Supplemental early retirement plan (SERP) (Note 10)	—	—	—	—	—	—	1,240,258	1,240,258
<b>Total liabilities</b>	<b>7,851,063</b>	<b>895,257</b>	<b>—</b>	<b>2,121,037</b>	<b>—</b>	<b>475,530</b>	<b>32,012,988</b>	<b>43,355,875</b>
<b>Fund equity:</b>								
Reserved for revolving fund	20,000	—	—	—	—	—	—	20,000
Reserved for stores inventory	155,933	147,954	—	—	—	—	—	303,887
Reserved for scholarships	—	—	—	—	—	23,057	—	23,057
Reserved for economic uncertainties	2,531,628	—	—	—	—	—	—	2,531,628
Reserved for legally restricted balances	2,295,585	—	—	—	—	—	—	2,295,585
Designated for Lottery Act	1,488,817	—	—	—	—	—	—	1,488,817
Designated for future schools	172,003	—	—	—	—	—	—	172,003
Designated for K-12 ed. park operations	1,138,351	—	—	—	—	—	—	1,138,351
Designated for school repair	3,344,890	—	—	—	—	—	—	3,344,890
Designated for vacation payoff	1,085,000	—	—	—	—	—	—	1,085,000
Designated for KSL litigation (Notes 14 & 17)	—	—	—	4,105,132	—	—	—	4,105,132
Undesignated fund balance	1,241,242	1,738,662	1,180,142	4,800,948	392,541	—	—	9,353,535
SSBF reconciliation	385,000	—	—	—	—	—	—	385,000
<b>Total fund equity</b>	<b>13,858,449</b>	<b>1,886,616</b>	<b>1,180,142</b>	<b>8,906,080</b>	<b>392,541</b>	<b>23,057</b>	<b>—</b>	<b>26,246,885</b>
<b>Total liabilities and fund equity</b>	<b>\$ 21,709,512</b>	<b>\$ 2,781,873</b>	<b>\$ 1,180,142</b>	<b>\$ 11,027,117</b>	<b>\$ 392,541</b>	<b>\$ 498,587</b>	<b>\$ 32,012,988</b>	<b>\$ 69,602,760</b>

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

## Exhibit 2

# Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Revenue limit sources:						
State apportionments	\$ 44,041,905	\$ 660,188	—	—	—	\$ 44,702,093
Local sources	11,321,943	—	—	—	—	11,321,943
Federal	7,786,083	4,154,504	—	—	—	11,940,587
Other state	17,316,670	2,320,262	\$ 10,552	\$ 671,561	—	20,319,045
Other local	6,412,007	886,903	1,001,805	4,124,741	\$ 2,498	12,427,954
<b>Total revenues</b>	<b>86,878,608</b>	<b>8,021,857</b>	<b>1,012,357</b>	<b>4,796,302</b>	<b>2,498</b>	<b>100,711,622</b>
<b>Expenditures:</b>						
Certificated salaries	36,985,756	1,112,859	—	—	—	38,098,615
Classified salaries	13,706,612	2,510,421	—	50,713	—	16,267,746
Employee benefits	12,108,450	1,067,263	—	9,901	—	13,185,614
Books and supplies	6,900,620	2,170,149	—	262	—	9,071,031
Services and other operating expenditures	6,374,522	209,685	—	338,138	4,192	6,926,537
Capital outlay	5,583,321	718,821	—	7,341,399	—	13,643,541
Other outgo	1,319,174	72,847	—	6,596	—	1,398,617
(Direct support)/indirect costs	(373,155)	373,155	—	—	—	—
<b>Total expenditures</b>	<b>82,605,300</b>	<b>8,235,200</b>	<b>—</b>	<b>7,747,009</b>	<b>4,192</b>	<b>98,591,701</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,273,308</b>	<b>(213,343)</b>	<b>1,012,357</b>	<b>(2,950,707)</b>	<b>(1,694)</b>	<b>2,119,921</b>
<b>Other financing sources (uses):</b>						
Operating transfers in (Note 5)	144,254	298,000	—	3,323,880	—	3,766,134
Operating transfers out (Note 5)	(1,149,425)	—	—	(2,616,709)	—	(3,766,134)
Other uses	(1,633,052)	—	(862,691)	(705,302)	—	(3,201,045)
<b>Total other financing sources (uses)</b>	<b>(2,638,223)</b>	<b>298,000</b>	<b>(862,691)</b>	<b>1,869</b>	<b>—</b>	<b>(3,201,045)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)</b>	<b>1,635,085</b>	<b>84,657</b>	<b>149,666</b>	<b>(2,948,838)</b>	<b>(1,694)</b>	<b>(1,081,124)</b>
<b>Fund balances, July 1, 2000</b>	<b>12,223,364</b>	<b>1,801,959</b>	<b>1,030,476</b>	<b>11,854,918</b>	<b>24,751</b>	<b>26,935,468</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ 13,858,449</b>	<b>\$ 1,886,616</b>	<b>\$ 1,180,142</b>	<b>\$ 8,906,080</b>	<b>\$ 23,057</b>	<b>\$ 25,854,344</b>

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

**Blank Page**

# Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual All Governmental Fund Types Year Ended June 30, 2001

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Revenue limit sources:						
State apportionments	\$45,436,995	\$44,041,905	\$ (1,395,090)	\$ 609,502	\$ 660,188	\$ 50,686
Local sources	9,604,254	11,321,943	1,717,689	—	—	—
Federal	9,041,253	7,786,083	(1,255,170)	4,061,813	4,154,504	92,691
Other state	21,350,752	17,316,670	(4,034,082)	2,337,516	2,320,262	(17,254)
Other local	5,682,546	6,412,007	729,461	685,984	886,903	200,919
<b>Total revenues</b>	<b>91,115,800</b>	<b>86,878,608</b>	<b>(4,237,192)</b>	<b>7,694,815</b>	<b>8,021,857</b>	<b>327,042</b>
<b>Expenditures:</b>						
Certificated salaries	39,196,021	36,985,756	2,210,265	1,055,232	1,112,859	(57,627)
Classified salaries	14,287,775	13,706,612	581,163	2,283,145	2,510,421	(227,276)
Employee benefits	12,553,081	12,108,450	444,631	1,052,788	1,067,263	(14,475)
Books and supplies	11,436,708	6,900,620	4,536,088	2,064,466	2,170,149	(105,683)
Services and other operating expenditures	7,874,855	6,374,522	1,500,333	155,870	209,685	(53,815)
Capital outlay	8,698,231	5,583,321	3,114,910	710,460	718,821	(8,361)
Other outgo	1,315,910	1,319,174	(3,264)	67,484	72,847	(5,363)
(Direct support)/indirect costs	(341,257)	(373,155)	31,898	348,799	373,155	(24,356)
<b>Total expenditures</b>	<b>95,021,324</b>	<b>82,605,300</b>	<b>12,416,024</b>	<b>7,738,244</b>	<b>8,235,200</b>	<b>(496,956)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,905,524)</b>	<b>4,273,308</b>	<b>8,178,832</b>	<b>(43,429)</b>	<b>(213,343)</b>	<b>(169,914)</b>
<b>Other financing sources (uses):</b>						
Operating transfers in	—	144,254	144,254	342,092	298,000	(44,092)
Operating transfers out	(1,075,036)	(1,149,425)	(74,389)	—	—	—
Other uses	(1,633,053)	(1,633,052)	1	—	—	—
<b>Total other financing sources (uses)</b>	<b>(2,708,089)</b>	<b>(2,638,223)</b>	<b>69,866</b>	<b>342,092</b>	<b>298,000</b>	<b>(44,092)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)</b>	<b>(6,613,613)</b>	<b>1,635,085</b>	<b>8,248,698</b>	<b>298,663</b>	<b>84,657</b>	<b>(214,006)</b>
<b>Fund balances, July 1, 2000</b>	<b>12,991,975</b>	<b>12,223,364</b>	<b>(768,611)</b>	<b>—</b>	<b>1,801,959</b>	<b>1,801,959</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ 6,378,362</b>	<b>\$ 13,858,449</b>	<b>\$ 7,480,087</b>	<b>\$ 298,663</b>	<b>\$ 1,886,616</b>	<b>\$ 1,587,953</b>

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)
\$ —	—	—	—	—	—	\$ 46,046,497	\$ 44,702,093	\$ (1,344,404)
—	—	—	—	—	—	9,604,254	11,321,943	1,717,689
—	—	—	—	—	—	13,103,066	11,940,587	(1,162,479)
—	\$ 10,552	\$ 10,552	\$ 555,137	\$ 671,561	\$ 116,424	24,243,405	20,319,045	(3,924,360)
—	1,001,805	1,001,805	3,703,000	4,124,741	421,741	10,071,530	12,425,456	2,353,926
—	1,012,357	1,012,357	4,258,137	4,796,302	538,165	103,068,752	100,709,124	(2,359,628)
—	—	—	—	—	—	40,251,253	38,098,615	2,152,638
—	—	—	50,713	50,713	—	16,621,633	16,267,746	353,887
—	—	—	9,969	9,901	68	13,615,838	13,185,614	430,224
—	—	—	263	262	1	13,501,437	9,071,031	4,430,406
—	—	—	397,575	338,138	59,437	8,428,300	6,922,345	1,505,955
—	—	—	10,662,476	7,341,399	3,321,077	20,071,167	13,643,541	6,427,626
—	—	—	6,597	6,596	1	1,389,991	1,398,617	(8,626)
—	—	—	—	—	—	7,542	—	7,542
—	—	—	11,127,593	7,747,009	3,380,584	113,887,161	98,587,509	15,299,652
—	1,012,357	1,012,357	(6,869,456)	(2,950,707)	3,918,749	(10,818,409)	2,121,615	12,940,024
—	—	—	6,677,910	3,323,880	(3,354,030)	7,020,002	3,766,134	(3,253,868)
—	—	—	(5,212,022)	(2,616,709)	2,595,313	(6,287,058)	(3,766,134)	2,520,924
—	(862,691)	(862,691)	(1,465,888)	(705,302)	760,586	(3,098,941)	(3,201,045)	(102,104)
—	(862,691)	(862,691)	—	1,869	1,869	(2,365,997)	(3,201,045)	(835,048)
—	149,666	149,666	(6,869,456)	(2,948,838)	3,920,618	(13,184,406)	(1,079,430)	12,104,976
—	1,030,476	1,030,476	13,738,912	11,854,918	(1,883,994)	26,730,887	26,910,717	179,830
\$ —	\$1,180,142	\$ 1,180,142	\$ 6,869,456	\$ 8,906,080	\$ 2,036,624	\$ 13,546,481	\$ 25,831,287	\$ 12,284,806

**Statement of Revenues, Expenses, and Changes  
in Retained Earnings — Proprietary Fund Type  
Internal Service Fund  
Year Ended June 30, 2001**

---

Operating revenues:	
Self-insurance premiums	\$ 1,449,978
Operating expenses:	
Contracted services	1,338,531
	<hr/>
Operating income (loss)	111,447
Retained Earnings, July 1, 2000	281,094
	<hr/>
Retained Earnings, June 30, 2001	\$ 392,541
	<hr/>

---

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, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Self-insurance premiums	\$ 1,394,584	\$ 1,449,978	\$ 55,394
Operating expenses:			
Contracted services	1,394,584	1,338,531	56,053
Operating income (loss)	—	111,447	111,447
Retained Earnings, July 1, 2000	281,094	281,094	—
Retained Earnings, June 30, 2001	<u>\$ 281,094</u>	<u>\$ 392,541</u>	<u>\$ 111,447</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, 2001**

Cash flows from operating activities:

Cash received from premiums	\$1,448,587
Cash paid for contracted services	1,338,531
Net cash provided by operating activities	110,056
Cash, July 1, 2000	279,061
Cash, June 30, 2001	<u>\$ 389,117</u>

**Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities**

Operating income	\$ 111,447
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(1,391)
Total adjustments	(1,391)
Net cash provided by operating activities	<u>\$ 110,056</u>

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



---

## Notes to the Financial Statements

### Year Ended June 30, 2001

---

#### 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.

##### 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 16 agency funds, 15 for each school's student body, and one for the adult education fund.

### 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

The district, in response to the finding in the fiscal year 1999-2000 audit, corrected its inventory valuation method in the 2000-01 school year from an unacceptable accounting principle to weighted-average. The change to weighted-average also presents a change from the First-In-First-Out (FIFO) inventory valuation method that the district used in the years prior to fiscal year 1999-2000. Since the inventory accounts represent 0.4% of the total assets of the district, the change does not have a material effect on the financial statements as a whole. Hence, no retroactive restatement or cumulative effect is presented in this audit report.

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

4. Fixed Assets

Fixed assets used in governmental fund types of the district should be recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Currently, the district does not maintain a general fixed asset account group.

## 5. 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.

## 6. 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.

## 7. Long-Term Obligations

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

## 8. 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 all other designated expenditures 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 \$24,507,120 in the common investment pool and \$1,180,142 in the bond interest and redemption fund, for a total of \$25,687,262. 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 \$956,594 as of June 30, 2001, and cash in the revolving fund, totaling \$20,000, are insured up to \$100,000 by the Federal Deposit Insurance Corporation.

Cash With Fiscal Agent/Investments

As of June 30, 2001, the Coachella Valley Unified School District had investments in money market fund (category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the district's name) with a carrying amount of \$866,492 and a fair value of \$866,492. The money market fund is 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.



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, 2001. The amount totaled \$761,079.

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2001, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
<b>General Fund:</b>	
Other outgo	\$ 3,264
<b>Cafeteria Fund:</b>	
Classified salaries	197,559
Employee benefits	26,742
Books and supplies	162,662
Services and other operating expenditures	52,686
Capital outlay	11,214
(Direct support)/indirect costs	23,029
<b>Child Development Fund:</b>	
Other outgo	8,363
(Direct support)/indirect costs	4,252
<b>Adult Education Fund:</b>	
Certificated salaries	64,176
Classified salaries	34,114
Services and other operating expenditures	7,823
<b>Deferred Maintenance Fund:</b>	
Capital outlay	140
<b>Special Reserve Fund:</b>	
Capital outlay	209,957

These amounts were partially offset by appropriations that were underspent.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Receivables as of June 30, 2001, consist of the following:

	General Fund	Special Revenue Funds	Capital Projects Funds	Internal Service Funds	Totals
Federal government:					
Categorical aid programs	\$1,731,900	\$ 853,918	\$ —	\$ —	\$2,585,818
State government:					
Categorical	1,238,328	—	—	—	1,238,328
Lottery	878,380	—	—	—	878,380
Class size reduction	434,279	—	—	—	434,279
Revenue limit	86,750	—	—	—	86,750
Other	226,284	280,723	6,630	—	513,637
Total state government	2,864,021	280,723	6,630	—	3,151,374
Local government:					
Interest	215,240	12,389	106,256	3,425	337,310
Other	792,557	24,419	56,152	—	873,128
Total local government	1,007,797	36,808	162,408	3,425	1,210,438
Total accounts receivable	\$5,603,718	\$1,171,449	\$ 169,038	\$ 3,425	\$6,947,630

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

As of June 30, 2001, interfund receivables and payables were as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ 386,136	\$ 250,000
Special revenue fund:		
Adult education	—	75,802
Child development	—	155,183
Deferred maintenance	250,000	—
Capital projects fund:		
Building fund	1,129,600	223,985
State school building—lease purchase	6,630	144,254
County school facilities	274,354	1,133,900
Capital facilities	—	63,596
Totals	\$ 2,046,720	\$ 2,046,720

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 2000-01 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	State School Building	\$ 144,254
Adult Education	General Fund	38,000
Deferred Maintenance	General Fund	260,000
Special Reserve	General Fund	851,425
County School Facilities	Building Fund	2,175,273
County School Facilities	Capital Facilities	290,552
State School Building	Building Fund	6,630
Total		<u>\$3,766,134</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>
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
2006	425,000	384,656	809,656
2007-2013	4,340,000	1,386,206	5,726,206
Totals	<u>\$ 6,050,000</u>	<u>\$ 3,600,300</u>	<u>\$ 9,650,300</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 4.8% to 5.25%. The final maturity is on August 1, 2022. Debt service payments are scheduled annually and range from \$180,000 to \$705,000.

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 \$35,000 to \$757,500.

**B. Debt Service Requirements**

Presented below is a summary of the debt service requirements from FY 2001-02 to maturity:

Year Ending August 1	Series A Principal	Series A Interest	Series B Principal	Series B Interest	Total
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
2005	285,000	418,531	330,000	104,000	1,137,531
Thereafter	8,085,000	4,181,963	8,979,278	12,772,990	34,019,231
Totals	<u>\$9,380,000</u>	<u>\$ 6,398,698</u>	<u>\$9,964,278</u>	<u>\$13,371,536</u>	<u>\$39,114,512</u>

**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>
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	578,147	98,018	676,165
2007-2010	1,259,991	92,336	1,352,327
Totals	<u>\$ 3,847,734</u>	<u>\$ 885,418</u>	<u>\$ 4,733,152</u>

**Operating Leases**

The district has two facility operating leases, one for 196 portable classrooms and one for real property. The lease terms are in excess of one year. The lease agreements do not contain a purchase option. The portable classroom lease 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. The district will receive no sublease rental revenues nor pay any contingent rentals for this lease.

As of June 30, 2001, future minimum lease payments to be paid under the operating lease for the year ending June 30, 2002, total \$208,000.

**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 fiscal year 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>
2002	\$ 910,679	\$ 46,210	\$ 956,889
Totals	<u>\$ 910,679</u>	<u>\$ 46,210</u>	<u>\$ 956,889</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 over a five-year period. The annuities below, which were purchased for 17 employees who retired after 1997, were purchased from American Fidelity Assurance Company. Future annuity payments are as follows:

<u>Year Ended June 30</u>	<u>Total Payments</u>
2002	\$ 407,124
2003	300,588
2004	266,218
2005	155,354
2006	110,974
Total	<u>\$ 1,240,258</u>

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

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below.

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2001</u>
Certificates of participation	\$ 6,270,000	\$ —	\$ 220,000	\$ 6,050,000
Emergency apportionment loan	1,777,390	—	866,711	910,679
Supplemental Early Retirement Plans (SERP)	1,031,482	208,776	—	1,240,258
Compensated absences	577,171	42,868	—	620,039
General obligation bonds	19,604,278	—	260,000	19,344,278
Capital lease	4,282,541	—	434,807	3,847,734
Totals	<u>\$ 33,542,862</u>	<u>\$ 251,644</u>	<u>\$ 1,781,518</u>	<u>\$ 32,012,988</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)	Compensated Absences	Capital Lease	General Obligation Bond		Total
						Series A	Series B	
2002	\$ 754,175	\$ 956,889	\$ 407,124	\$ 620,039	\$ 676,165	\$ 702,011	\$ 190,013	\$ 4,306,416
2003	771,694	—	300,588	—	676,165	700,731	262,733	2,711,911
2004	786,325	—	266,218	—	676,165	703,971	322,400	2,755,079
2005	802,244	—	155,354	—	676,165	701,491	374,400	2,709,654
2006	809,656	—	110,974	—	676,165	703,531	434,000	2,734,326
Thereafter	5,726,206	—	—	—	1,352,327	12,266,963	21,752,268	41,097,764
Subtotals	9,650,300	956,889	1,240,258	620,039	4,733,152	15,778,698	23,335,814	56,315,150
Less amounts representing interest	(3,600,300)	(46,210)	—	—	(885,418)	(6,398,698)	(13,371,536)	(24,302,162)
Obligations as of June 30, 2001	\$ 6,050,000	\$ 910,679	\$ 1,240,258	\$ 620,039	\$3,847,734	\$ 9,380,000	\$ 9,964,278	\$ 32,012,988

**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.

A board consisting of a representative from each member agency governs RSIA. 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, 2001, is as follows:

Assets	\$ 8,623,240
Liabilities	<u>3,838,392</u>
Fund equity	<u>\$ 4,784,848</u>
Revenues	\$ 4,861,372
Expenses	<u>6,499,692</u>
Net decrease in fund equity	<u>\$ (1,638,320)</u>

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 FY 1999-2000, DSSIPE purchased workers' compensation insurance and is fully insured.

A board consisting of a representative from each member agency governs DSSIPE. 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, 2001, is as follows:

Assets	\$ 4,196,825
Liabilities	<u>609,403</u>
Fund equity	<u>\$ 3,587,422</u>
Revenues	\$ 673,561
Expenses	<u>402,408</u>
Net increase in fund equity	<u>\$ 271,153</u>

**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. One such matter involving KSL Land Corporation (KSL), was settled in October 2001, requires Coachella Valley Unified School District to pay \$4.1 million to KSL including interest for the refund of mitigation payments. The Coachella Valley Unified School District has designated a sufficient amount of fund equity for payment of these monies to KSL. With respect to other claims and litigation involving the district, management 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 operation. (Also see Note 17 – Subsequent Events, below.)

**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 2000-2001 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, 2001, 2000, and 1999, were \$0, \$0, and \$0, 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 2000-2001 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, 2001, 2000, and 1999 were \$2,870,562, \$2,467,536, and \$2,275,024, respectively, and equal 100% of the required contributions 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, 2001, 46 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 by the district. During the year ended June 30, 2001, expenditures of \$201,946 were recognized for post-retirement health care.

**NOTE 17 - SUBSEQUENT EVENTS****Dispute Settlement**

In October 2001, the district entered into a settlement agreement with KSL Land Corporation over the disputed refund of mitigation payments to KSL. The settlement was made over the disputed monies collected by Coachella Valley Unified School District for building development within the school district's boundaries. The settlement requires that \$4.1 million (including interest) be paid to KSL for the refund of mitigation payments. The Coachella Valley Unified School District has designated a sufficient amount of fund equity for payment of these monies to KSL. This matter is also discussed in Note 14 - Commitments and Contingencies.

**Blank Page**



## **COMBINING FINANCIAL STATEMENTS**

---

**Blank Page**

## Exhibit A-1

# Special Revenue Funds Combining Balance Sheet June 30, 2001

	Cafeteria Fund	Child Development Fund	Adult Education Fund	Deferred Maintenance Fund	Totals
<b>Assets</b>					
Cash in county treasury	—	\$ 16,403	\$ 118,963	\$ 613,365	\$ 748,731
Cash in banks	\$ 458,007	—	—	—	458,007
Cash in revolving fund	—	—	—	—	—
Cash collections awaiting deposit	—	166	5,458	—	5,624
Accounts receivable	882,885	208,927	70,385	9,252	1,171,449
Due from other funds	—	—	—	250,000	250,000
Inventories	147,954	—	—	—	147,954
Other current assets	108	—	—	—	108
<b>Total assets</b>	<b>\$ 1,488,954</b>	<b>\$ 225,496</b>	<b>\$ 194,806</b>	<b>\$ 872,617</b>	<b>\$ 2,781,873</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 313,329	\$ 14,569	\$ 32,678	\$ 52,847	\$ 413,423
Due to other funds	—	155,183	75,802	—	230,985
Other current liabilities	250,849	—	—	—	250,849
<b>Total liabilities</b>	<b>564,178</b>	<b>169,752</b>	<b>108,480</b>	<b>52,847</b>	<b>895,257</b>
<b>Fund balances:</b>					
Reserved for revolving fund	—	—	—	—	—
Reserved for stores inventory	147,954	—	—	—	147,954
Undesignated fund balance	776,822	55,744	86,326	819,770	1,738,662
<b>Total fund balances</b>	<b>924,776</b>	<b>55,744</b>	<b>86,326</b>	<b>819,770</b>	<b>1,886,616</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,488,954</b>	<b>\$ 225,496</b>	<b>\$ 194,806</b>	<b>\$ 872,617</b>	<b>\$ 2,781,873</b>

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**  
**Year Ended June 30, 2001**

	Cafeteria Fund	Child Development Fund	Adult Education Fund	Deferred Maintenance Fund	Total (Memorandum Only)
<b>Revenues:</b>					
Revenue limit sources:					
State apportionments	\$ —	\$ —	\$ 660,188	\$ —	\$ 660,188
Federal	4,102,161	—	52,343	—	4,154,504
Other state	275,892	1,681,862	30,889	331,619	2,320,262
Other local	734,693	50,582	56,852	44,776	886,903
Total revenues	5,112,746	1,732,444	800,272	376,395	8,021,857
<b>Expenditures:</b>					
Certificated salaries	—	654,260	458,599	—	1,112,859
Classified salaries	1,865,103	560,379	84,939	—	2,510,421
Employee benefits	672,718	316,151	78,394	—	1,067,263
Books and supplies	2,067,104	46,462	56,583	—	2,170,149
Services and other operating expenditures	163,452	18,009	28,224	—	209,685
Capital outlay	80,093	5,004	11,965	621,759	718,821
Other outgo	—	64,847	8,000	—	72,847
(Direct support)/indirect costs	249,854	90,336	32,965	—	373,155
Total expenditures	5,098,324	1,755,448	759,669	621,759	8,235,200
Excess (deficiency) of revenues over (under) expenditures	14,422	(23,004)	40,603	(245,364)	(213,343)
<b>Other financing sources:</b>					
Operating transfers in	—	—	38,000	260,000	298,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources	14,422	(23,004)	78,603	14,636	84,657
Fund balances, July 1, 2000	910,354	78,748	7,723	805,134	1,801,959
Fund balances, June 30, 2001	\$ 924,776	\$ 55,744	\$ 86,326	\$ 819,770	\$ 1,886,616

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

**Blank Page**

## Special Revenue Funds

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual Year Ended June 30, 2001

	Cafeteria Fund			Child Development Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Revenue limit sources:						
State apportionments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal	3,991,682	4,102,161	110,479	—	—	—
Other state	270,228	275,892	5,664	1,715,095	1,681,862	(33,233)
Other local	561,330	734,693	173,363	40,654	50,582	9,928
<b>Total revenues</b>	<b>4,823,240</b>	<b>5,112,746</b>	<b>289,506</b>	<b>1,755,749</b>	<b>1,732,444</b>	<b>(23,305)</b>
<b>Expenditures:</b>						
Certificated salaries	—	—	—	660,809	654,260	6,549
Classified salaries	1,667,544	1,865,103	(197,559)	564,776	560,379	4,397
Employee benefits	645,976	672,718	(26,742)	321,176	316,151	5,025
Books and supplies	1,904,442	2,067,104	(162,662)	80,779	46,462	34,317
Services and other operating expenditures	110,766	163,452	(52,686)	24,703	18,009	6,694
Capital outlay	68,879	80,093	(11,214)	5,030	5,004	26
Other outgo	—	—	—	56,484	64,847	(8,363)
(Direct support)/indirect costs	226,825	249,854	(23,029)	86,084	90,336	(4,252)
<b>Total expenditures</b>	<b>4,624,432</b>	<b>5,098,324</b>	<b>(473,892)</b>	<b>1,799,841</b>	<b>1,755,448</b>	<b>44,393</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>198,808</b>	<b>14,422</b>	<b>(184,386)</b>	<b>(44,092)</b>	<b>(23,004)</b>	<b>21,088</b>
<b>Other financing sources:</b>						
Operating transfers in	—	—	—	44,092	—	(44,092)
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources</b>	<b>198,808</b>	<b>14,422</b>	<b>(184,386)</b>	<b>—</b>	<b>(23,004)</b>	<b>(23,004)</b>
<b>Fund balances, July 1, 2000</b>	<b>—</b>	<b>910,354</b>	<b>910,354</b>	<b>—</b>	<b>78,748</b>	<b>78,748</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ 198,808</b>	<b>\$ 924,776</b>	<b>\$ 725,968</b>	<b>\$ —</b>	<b>\$ 55,744</b>	<b>\$ 55,744</b>

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)
\$ 609,502	\$ 660,188	\$ 50,686	\$ —	\$ —	\$ —	\$ 609,502	\$ 660,188	\$ 50,686
70,131	52,343	(17,788)	—	—	—	4,061,813	4,154,504	92,691
20,574	30,889	10,315	331,619	331,619	—	2,337,516	2,320,262	(17,254)
54,000	56,852	2,852	30,000	44,776	14,776	685,984	886,903	200,919
754,207	800,272	46,065	361,619	376,395	14,776	7,694,815	8,021,857	327,042
394,423	458,599	(64,176)	—	—	—	1,055,232	1,112,859	(57,627)
50,825	84,939	(34,114)	—	—	—	2,283,145	2,510,421	(227,276)
85,636	78,394	7,242	—	—	—	1,052,788	1,067,263	(14,475)
79,245	56,583	22,662	—	—	—	2,064,466	2,170,149	(105,683)
20,401	28,224	(7,823)	—	—	—	155,870	209,685	(53,815)
14,932	11,965	2,967	621,619	621,759	(140)	710,460	718,821	(8,361)
11,000	8,000	3,000	—	—	—	67,484	72,847	(5,363)
35,890	32,965	2,925	—	—	—	348,799	373,155	(24,356)
692,352	759,669	(67,317)	621,619	621,759	(140)	7,738,244	8,235,200	(496,956)
61,855	40,603	(21,252)	(260,000)	(245,364)	14,636	(43,429)	(213,343)	(169,914)
38,000	38,000	—	260,000	260,000	—	342,092	298,000	(44,092)
99,855	78,603	(21,252)	—	14,636	14,636	298,663	84,657	(214,006)
—	7,723	7,723	—	805,134	805,134	—	1,801,959	1,801,959
\$ 99,855	\$ 86,326	\$ (13,529)	\$ —	\$ 819,770	\$ 819,770	\$ 298,663	\$ 1,886,616	\$ 1,587,953

## Exhibit B-1

# Capital Projects Funds

## Combining Balance Sheet

### June 30, 2001

	Special Reserve Fund	State School Building Lease- Purchase Fund	Capital Facilities Fund	Bond Building Fund	County School Facilities Fund	Totals
<b>Assets</b>						
Cash in county treasury	\$ 185,545	\$ 460,724	\$ 5,851,715	\$ 622,526	\$ 1,211,409	\$ 8,331,919
Cash with fiscal agent	866,492	—	—	—	—	866,492
Cash collections awaiting deposit	—	—	249,084	—	—	249,084
Accounts receivable	1,777	12,504	71,726	61,530	21,501	169,038
Due from other funds	—	6,630	—	1,129,600	274,354	1,410,584
<b>Total assets</b>	<b>\$ 1,053,814</b>	<b>\$ 479,858</b>	<b>\$ 6,172,525</b>	<b>\$ 1,813,656</b>	<b>\$ 1,507,264</b>	<b>\$ 11,027,117</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ —	\$ 189,974	\$ 41,290	\$ 23,698	\$ 300,340	\$ 555,302
Deferred revenue	—	—	—	—	—	—
Due to other funds	—	144,254	63,596	223,985	1,133,900	1,565,735
<b>Total liabilities</b>	<b>—</b>	<b>334,228</b>	<b>104,886</b>	<b>247,683</b>	<b>1,434,240</b>	<b>2,121,037</b>
<b>Fund balances:</b>						
Undesignated fund balance	1,053,814	145,630	1,962,507	1,565,973	73,024	4,800,948
Designated for KSL litigation	—	—	4,105,132	—	—	4,105,132
<b>Total fund balances</b>	<b>1,053,814</b>	<b>145,630</b>	<b>6,067,639</b>	<b>1,565,973</b>	<b>73,024</b>	<b>8,906,080</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,053,814</b>	<b>\$ 479,858</b>	<b>\$ 6,172,525</b>	<b>\$ 1,813,656</b>	<b>\$ 1,507,264</b>	<b>\$ 11,027,117</b>

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, 2001**

	Special Reserve Fund	State School Building Lease- Purchase Fund	Capital Facilities Fund	Bond Building Fund	County School Facilities Fund	Totals
<b>Revenues:</b>						
Other state	\$ —	\$ 115,083	\$ —	\$ —	\$ 556,478	\$ 671,561
Other local	51,580	37,160	3,738,359	233,349	64,293	4,124,741
<b>Total revenues</b>	<b>51,580</b>	<b>152,243</b>	<b>3,738,359</b>	<b>233,349</b>	<b>620,771</b>	<b>4,796,302</b>
<b>Expenditures:</b>						
Classified salaries	—	—	50,713	—	—	50,713
Employee benefits	—	—	9,901	—	—	9,901
Books and supplies	—	—	262	—	—	262
Services and other operating expenditures	—	—	336,138	2,000	—	338,138
Capital outlay	464,028	(5,316)	378,146	3,482,238	3,022,303	7,341,399
Other outgo	—	—	6,596	—	—	6,596
<b>Total expenditures</b>	<b>464,028</b>	<b>(5,316)</b>	<b>781,756</b>	<b>3,484,238</b>	<b>3,022,303</b>	<b>7,474,009</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(412,448)</b>	<b>157,559</b>	<b>2,956,603</b>	<b>(3,250,889)</b>	<b>(2,401,532)</b>	<b>(2,950,707)</b>
<b>Other financing sources (uses):</b>						
Other sources	—	—	—	—	—	—
Other financing sources	—	—	—	—	—	—
Operating transfers in	851,425	6,630	—	—	2,465,825	3,323,880
Other financing uses	(705,302)	—	—	—	—	(705,302)
Operating transfers out	—	(144,254)	(290,552)	(2,181,903)	—	(2,616,709)
<b>Total other financing sources (uses)</b>	<b>146,123</b>	<b>(137,624)</b>	<b>(290,552)</b>	<b>(2,181,903)</b>	<b>2,465,825</b>	<b>1,869</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other sources</b>	<b>(266,325)</b>	<b>19,935</b>	<b>2,666,051</b>	<b>(5,432,792)</b>	<b>64,293</b>	<b>(2,948,838)</b>
<b>Fund balances, July 1, 2000</b>	<b>1,320,139</b>	<b>125,695</b>	<b>3,401,588</b>	<b>6,998,765</b>	<b>8,731</b>	<b>11,854,918</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ 1,053,814</b>	<b>\$ 145,630</b>	<b>\$ 6,067,639</b>	<b>\$ 1,565,973</b>	<b>\$ 73,024</b>	<b>\$ 8,906,080</b>

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

# Capital Projects Funds

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual Year Ended June 30, 2001

	Special Reserve Fund			State School Building Lease-Purchase Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Other state	—	—	—	—	\$ 115,083	\$ 115,083
Other local	\$ 8,000	\$ 51,580	\$ 43,580	\$ 20,000	37,160	17,160
<b>Total revenues</b>	<b>8,000</b>	<b>51,580</b>	<b>43,580</b>	<b>20,000</b>	<b>152,243</b>	<b>132,243</b>
<b>Expenditures:</b>						
Classified salaries	—	—	—	—	—	—
Employee benefits	—	—	—	—	—	—
Books and supplies	—	—	—	—	—	—
Services and other operating expenditures	—	—	—	—	—	—
Capital outlay	254,071	464,028	(209,957)	—	(5,316)	5,316
Other outgo	—	—	—	—	—	—
<b>Total expenditures</b>	<b>254,071</b>	<b>464,028</b>	<b>(209,957)</b>	<b>—</b>	<b>(5,316)</b>	<b>5,316</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(246,071)</b>	<b>(412,448)</b>	<b>(166,377)</b>	<b>20,000</b>	<b>157,559</b>	<b>137,559</b>
<b>Other financing sources (uses):</b>						
Other sources	—	—	—	—	—	—
Other financing sources	—	—	—	—	—	—
Operating transfers in	1,465,888	851,425	(614,463)	—	6,630	6,630
Other financing uses	(1,465,888)	(705,302)	(760,586)	—	—	—
Operating transfers out	—	—	—	—	(144,254)	144,254
<b>Total other financing sources (uses)</b>	<b>—</b>	<b>146,123</b>	<b>146,123</b>	<b>—</b>	<b>(137,624)</b>	<b>(137,624)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<b>(246,071)</b>	<b>(266,325)</b>	<b>(20,254)</b>	<b>20,000</b>	<b>19,935</b>	<b>(65)</b>
<b>Fund balances, July 1, 2000</b>	<b>492,142</b>	<b>1,320,139</b>	<b>827,997</b>	<b>(40,000)</b>	<b>125,695</b>	<b>165,695</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ 246,071</b>	<b>\$ 1,053,814</b>	<b>\$ 807,743</b>	<b>\$ (20,000)</b>	<b>\$ 145,630</b>	<b>\$ 165,630</b>

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

## Exhibit B-3

Capital Facilities Fund			Bond Building Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
—	—	—	—	—	—
\$ 3,455,000	\$ 3,738,359	\$ 283,359	\$ 195,000	\$ 233,349	\$ 38,349
3,455,000	3,738,359	283,359	195,000	233,349	38,349
50,713	50,713	—	—	—	—
9,969	9,901	68	—	—	—
263	262	1	—	—	—
395,006	336,138	58,868	2,569	2,000	569
1,018,071	378,146	639,925	3,623,174	3,482,238	140,936
6,597	6,596	1	—	—	—
1,480,619	781,756	698,863	3,625,743	3,484,238	141,505
1,974,381	2,956,603	982,222	(3,430,743)	(3,250,889)	179,854
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
(1,644,000)	(290,552)	(1,353,448)	(3,568,022)	(2,181,903)	(1,386,119)
(1,644,000)	(290,552)	(1,353,448)	(3,568,022)	(2,181,903)	(1,386,119)
330,381	2,666,051	2,335,670	(6,998,765)	(5,432,792)	1,565,973
(660,762)	3,401,588	4,062,350	13,997,530	6,998,765	(6,998,765)
\$ (330,381)	\$ 6,067,639	\$ 6,398,020	\$ 6,998,765	\$ 1,565,973	\$ (5,432,792)

**Exhibit B-3**  
**(continued)**

	County School Facilities Fund			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Other state	\$ 555,137	\$ 556,478	\$ 1,341	\$ 555,137	\$ 671,561	\$ 116,424
Other local	25,000	64,293	39,293	3,703,000	4,124,741	421,741
<b>Total revenues</b>	<b>580,137</b>	<b>620,771</b>	<b>40,634</b>	<b>4,258,137</b>	<b>4,796,302</b>	<b>538,165</b>
<b>Expenditures:</b>						
Classified salaries	—	—	—	50,713	50,713	—
Employee benefits	—	—	—	9,969	9,901	68
Books and supplies	—	—	—	263	262	1
Services and other operating expenditures	—	—	—	397,575	338,138	59,437
Capital outlay	5,767,160	3,022,303	2,744,857	10,662,476	7,341,399	3,321,077
Other outgo	—	—	—	6,597	6,596	1
<b>Total expenditures</b>	<b>5,767,160</b>	<b>3,022,303</b>	<b>2,744,857</b>	<b>11,127,593</b>	<b>7,747,009</b>	<b>3,380,584</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(5,187,023)</b>	<b>(2,401,532)</b>	<b>2,785,491</b>	<b>(6,869,456)</b>	<b>(2,950,707)</b>	<b>3,918,749</b>
<b>Other financing sources (uses):</b>						
Other sources	—	—	—	—	—	—
Other financing sources	—	—	—	—	—	—
Operating transfers in	5,212,022	2,465,825	(2,746,197)	6,677,910	3,323,880	(3,354,030)
Other financing uses	—	—	—	(1,465,888)	(705,302)	760,586
Operating transfers out	—	—	—	(5,212,022)	(2,616,709)	2,595,313
<b>Total other financing sources (uses)</b>	<b>5,212,022</b>	<b>2,465,825</b>	<b>(2,746,197)</b>	<b>—</b>	<b>1,869</b>	<b>1,869</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<b>24,999</b>	<b>64,293</b>	<b>39,294</b>	<b>(6,869,456)</b>	<b>(2,948,838)</b>	<b>3,920,618</b>
<b>Fund balances, July 1, 2000</b>	<b>(49,998)</b>	<b>8,731</b>	<b>58,729</b>	<b>13,738,912</b>	<b>11,854,918</b>	<b>(1,883,994)</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ (24,999)</b>	<b>\$ 73,024</b>	<b>\$ 98,023</b>	<b>\$ 6,869,456</b>	<b>\$8,906,080</b>	<b>\$ 2,036,624</b>

## Exhibit C-1

# Trust and Agency Funds Combining Balance Sheet June 30, 2001

	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	
<b>Assets</b>										
Cash on hand and in banks	\$ 1,884	\$ 16,591	\$ 296	\$ 395	\$ 3,886	\$ 5	\$ 251,680	\$ 223,535	\$ 315	\$498,587
<b>Total assets</b>	<b>\$ 1,884</b>	<b>\$ 16,591</b>	<b>\$ 296</b>	<b>\$ 395</b>	<b>\$ 3,886</b>	<b>\$ 5</b>	<b>\$ 251,680</b>	<b>\$ 223,535</b>	<b>\$ 315</b>	<b>\$498,587</b>
<b>Liabilities and fund balances</b>										
<b>Liabilities:</b>										
Due to student groups	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 251,680	\$ 223,535	\$ 315	\$475,530
<b>Fund balances:</b>										
Reserve for scholarships	1,884	16,591	296	395	3,886	5	—	—	—	23,057
<b>Total liabilities and fund balances</b>	<b>\$ 1,884</b>	<b>\$ 16,591</b>	<b>\$ 296</b>	<b>\$ 395</b>	<b>\$ 3,886</b>	<b>\$ 5</b>	<b>\$ 251,680</b>	<b>\$ 223,535</b>	<b>\$ 315</b>	<b>\$498,587</b>

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

## Exhibit C-2

# Trust And Agency Funds

## Combining Statement of Changes

### in Assets and Liabilities

### Year Ended June 30, 2001

	Balance as of July 1, 2000	Additions	Deletions	Balance as of June 30, 2001
<b>Elementary and Middle Schools</b>				
<i>Bobby Duke</i>				
Assets: Cash in bank	\$ 5,540	\$ 11,141	\$ 6,347	\$ 10,334
Liabilities: Due to student groups	5,540	11,141	6,347	10,334
<i>Cahuilla Desert Academy</i>				
Assets: Cash in bank	41,385	77,828	78,938	40,275
Liabilities: Due to student groups	41,385	77,828	78,938	40,275
<i>Cesar Chavez</i>				
Assets: Cash in bank	18,114	38,709	34,955	21,868
Liabilities: Due to student groups	18,114	38,709	34,955	21,868
<i>John Kelley</i>				
Assets: Cash in bank	18,882	56,250	40,640	34,492
Liabilities: Due to student groups	18,882	56,250	40,640	34,492
<i>Mecca</i>				
Assets: Cash in bank	1,628	49,843	36,769	14,702
Liabilities: Due to student groups	1,628	49,843	36,769	14,702
<i>Mtn. Vista</i>				
Assets: Cash in bank	—	19,318	9,114	10,204
Liabilities: Due to student groups	—	19,318	9,114	10,204
<i>Oasis</i>				
Assets: Cash in bank	18,635	78,903	74,999	22,539
Liabilities: Due to student groups	18,635	78,903	74,999	22,539
<i>Palm View</i>				
Assets: Cash in bank	8,471	18,194	14,162	12,503
Liabilities: Due to student groups	8,471	18,194	14,162	12,503
<i>Saul Martinez</i>				
Assets: Cash in bank	1,296	25,459	17,551	9,204
Liabilities: Due to student groups	1,296	25,459	17,551	9,204
<i>Valley View</i>				
Assets: Cash in bank	24,915	96,850	72,649	49,116
Liabilities: Due to student groups	24,915	96,850	72,649	49,116
<i>West Side</i>				
Assets: Cash in bank	17,979	54,257	45,793	26,443
Liabilities: Due to student groups	17,979	54,257	45,793	26,443
<b>Total Elementary and Middle Schools</b>				
Assets: Cash in bank	\$ 156,845	\$ 526,752	\$ 431,917	\$ 251,680
Liabilities: Due to student groups	\$ 156,845	\$ 526,752	\$ 431,917	\$ 251,680

## Exhibit C-2 (continued)

	Balance as of July 1, 2000	Additions	Deletions	Balance as of June 30, 2001
<b>High Schools</b>				
<i>Coachella Valley High School</i>				
Assets: Cash in bank	\$ 204,859	\$ 577,951	\$ 575,783	\$ 207,027
Liabilities: Due to student groups	204,859	577,951	575,783	207,027
<i>Coachella Valley High School Farm</i>				
Assets: Cash in bank	4,222	7,730	7,815	4,137
Liabilities: Due to student groups	4,222	7,730	7,815	4,137
<i>La Familia</i>				
Assets: Cash in bank	1,158	2,384	1,557	1,985
Liabilities: Due to student groups	1,158	2,384	1,557	1,985
<i>West Shores</i>				
Assets: Cash in bank	17,395	6,037	13,046	10,386
Liabilities: Due to student groups	17,395	6,037	13,046	10,386
<i>Total High Schools</i>				
Assets: Cash in bank	\$ 227,634	\$ 594,102	\$ 598,201	\$ 223,535
Liabilities: Due to student groups	\$ 227,634	\$ 594,102	\$ 598,201	\$ 223,535
<i>Adult Education</i>				
Assets: Cash in bank	\$ 590	\$ 231	\$ 506	\$ 315
Liabilities: Due to student groups	\$ 590	\$ 231	\$ 506	\$ 315
<i>Total Agency</i>				
Assets: Cash in bank	\$ 385,069	\$1,121,085	\$1,030,624	\$ 475,530
Liabilities: Due to student groups	\$ 385,069	\$1,121,085	\$1,030,624	\$ 475,530

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

**Blank Page**



## **SUPPLEMENTARY INFORMATION SECTION**

---

**Blank Page**

## Organization

### June 30, 2001

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, six K-6 schools, one 4-8 school, 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 nine Headstart/State Preschools, seven child care centers, and a teen parenting program at Coachella Valley High School.

Board of Trustees		
Name	Office	Term Expires
Mrs. Marguerite Freeman	President	November 2002
Mr. Michael Wells	Vice President	November 2002
Mrs. Maria E. Rios	Clerk	November 2004
Mrs. Juanita D. Duarte	Member	November 2004
Mr. Gary Funtas	Member	November 2002
Mr. Joe Murillo	Member	November 2004
Mrs. Anna Rodriguez	Member	November 2004

#### Administration

Mr. Foch "Tut" Pensis  
Superintendent

Mr. Richard Alvarez  
Assistant Superintendent  
Administrative Services  
(effective November 19, 2001)

Mrs. Carey Carlson  
Assistant Superintendent  
Business Services

Mr. Robert Bailey  
Assistant Superintendent  
Educational Services  
(effective November 19, 2001)

#### State Appointed Trustee

Mr. Michael Keebler

## Schedule of Average Daily Attendance Year Ended June 30, 2001

	Average Daily Attendance <sup>1</sup>	
	Second-Period Report	Annual Report
Elementary:		
Kindergarten	1,001.39	1,011.99
Grades 1 through 3	3,242.10	3,263.59
Grades 4 through 6	2,894.57	2,914.16
Grades 7 and 8	1,770.38	1,777.49
Home and hospital	3.15	3.17
Special education	242.17	244.59
Elementary totals	9,153.76	9,214.99
High School:		
Grades 9 through 12	2,547.51	2,530.33
Special education	110.83	109.82
Continuation education	118.60	109.87
Home and hospital	2.73	2.94
High school totals	2,779.67	2,752.96
Classes for adults:		
Concurrently enrolled	13.12	13.12
Not concurrently enrolled	296.48	300.53
Adult totals	309.60	313.65
ADA totals	12,243.03	12,281.60
	Hours of Attendance	
Summer School		
Elementary	176,154	
High School	146,986	

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.

<sup>1</sup> Average daily attendance is based on the second-period attendance report for the period ending April 15, 2001, and the annual report for the period ending June 30, 2001.

## Schedule of Instructional Time Year Ended June 30, 2001

Grade Level	1982-83 Actual Minutes Offered	1986-87 Minutes Offered Requirement	2000-01 Actual Minutes Offered	Status
Kindergarten	31,500	36,000	32,155	Did not comply
Grades 1 through 3	48,560	50,400	55,140	In compliance <sup>1</sup>
Grades 4 through 8	58,730	54,000	55,832	In compliance <sup>1</sup>
Grades 9 through 12	58,730	64,800	65,178	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.

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

## Schedule of Financial Trends and Analysis<sup>1</sup> Year Ended June 30, 2001

General Fund	2002 (Budget)	For the Year Ended June 30,		
		2001	2000	1999
Revenues and other financial sources	\$89,395,384	\$87,022,863	\$72,377,729	\$66,098,896
Expenditures	85,869,449	82,605,300	66,984,176	60,886,082
Other uses and transfers out	2,739,759	2,782,478	3,689,094	2,801,383
Total outgo	88,609,208	85,387,778	70,673,270	63,687,465
Change in fund balance (deficit)	\$ 786,176	\$ 1,635,085	\$ 1,704,459	\$ 2,411,431
Ending fund balance	\$ 8,085,946	\$ 13,858,449	\$ 12,223,364	\$ 10,518,905
Available reserves <sup>2</sup>	\$ 2,658,276	\$ 3,772,871	\$ 4,912,348	\$ 4,945,451
Available reserves as a percentage of total outgo	3.0%	4.4%	7.0%	7.8%
Total long-term debt	\$29,059,842	\$32,012,998	\$33,542,862	\$35,219,189
Average daily attendance at P-2 <sup>3,4</sup>	12,173	11,933	11,440	11,437

The *General Fund* balance has increased by \$3,339,544 over the past two years (1999-2000). The FY 2001-02 budget is projecting a decrease in ending fund balance of \$5,772,503 (42%). 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 decreased by \$3,206,191 over the past two years.

*Average daily attendance* has increased by 496 over the past two years. An increase of 240 ADA is anticipated during FY 2001-02.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Excludes adult education ADA.

<sup>4</sup> 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 Awards <sup>1</sup>

## Year Ended June 30, 2001

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through California Department of Education: National School Lunch/Breakfast	10.555/553	03396/03988	\$ 3,758,634 <sup>2</sup>
<u>U.S. Department of Health and Human Services</u>			
Passed through Riverside County Office of Education: Head Start	93.600	10016	1,216,007
Healthy Start Initiative	93.926	03621	106,414
<u>U.S. Department of Labor</u>			
Passed through Riverside County Office of Education: Job Training and Partnership Act	17.250	03152	2,845
<u>U.S. Department of Education</u>			
Direct programs:			
Indian Education	84.060	04510	3,513
21 <sup>st</sup> Century	84.287B	10042	206,944 <sup>2</sup>
Title VII – Bilingual Education	84.288S	*	*
Title VII – Bilingual Education – Project OASIS	84.290U	*	461,985 <sup>2</sup>
Passed through California Department of Education:			
Adult Education and Family Literacy Act	84.002A	*	52,343
Title VI of ESEA	84.298	*	
Title VI of ESEA – Class Size Reduction	84.340	*	481,439
Title I of ESEA – Regular	84.010	03064	
Title I of ESEA – Setaside	84.010	03064	
Title I of ESEA – Parent	84.010	03064	
Title I of ESEA – Program Improvement	84.010	03064	3,188,025 <sup>2</sup>
Vocational Education	84.048	03577	109,615
Emergency Immigrant Education	84.162	03159	199,703
Eisenhower Math and Science	84.164	03094	71,138
Technology Literacy Challenge	84.318	03285	131,961 <sup>2</sup>
Passed through Riverside County Office of Education:			
Migrant Education	84.011	03628	
Migrant Education Summer School	84.011	03628	
Migrant Education Summer School – Assistance	84.011	03628	705,818 <sup>2</sup>
Special Education – 142 UDC	84.027	*	
Special Education – Personnel Develop	84.029	03815	
Special Education – Preschool Grant	84.173	03430	
Special Education – Preschool Local	84.173	*	812,770 <sup>2</sup>
Drug-Free Schools	84.184	03711	53,777
Schools to Careers Partnership	84.278	10009	22,180
Desert Community College District	84.278	*	7,087
Reading is Fundamental	NA	*	6
Total federal expenditures			<u>11,592,204</u>

The accompanying notes are an integral part of this schedule

\* Pass-through entity identifying number unavailable.

<sup>1</sup> 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.

<sup>2</sup> This is a major federal financial assistance program.

## Reconciliation of Annual Financial and Budget Report With Audited Financial Statements <sup>1</sup> Year Ended June 30, 2001

---

	General Long-Term Debt Account Group (Total Liabilities)
Financial and Budget Report (Form J-200) Fund Balances	\$ 32,784,093
Adjustments and Reclassifications:	
To reduce principal payments on the bond liability	35,000
To correct the SERP liability	(806,105)
Net adjustments	(771,105)
June 30, 2001, audited financial statement fund balances	<u>\$ 32,012,988</u>

---

<sup>1</sup> 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.



## **OTHER INDEPENDENT AUDITOR'S REPORTS**

---

**Blank Page**



**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, 2001, and has issued its report thereon dated November 2, 2001. 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. Except as discussed in the preceding sentence, the State Controller's Office conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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 Controller's Office does not express such an opinion. The results of the State Controller's Office's tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Findings 01-06 through 01-10. The State Controller's Office also noted certain immaterial instances of noncompliance that the State Controller's Office has reported to management of Coachella Valley Unified School District in a separate letter dated November 2, 2001.

**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 an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, the auditors noted certain matters involving the internal control over financial reporting and its operation that the State Controller's Office considers to be reportable conditions. Reportable conditions involve matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the judgment of the State Controller's Office, 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 and questioned costs as Findings 01-1 through 01-05.

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. The State Controller's Office'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, the State Controller's Office believes that none of the reportable conditions described above is a material weakness. The State Controller's Office also noted other matters involving the internal control over financial reporting, which it has reported to management of Coachella Valley Unified School District in a separate letter dated November 2, 2001.

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, Chief  
Division of Audits

November 2, 2001



**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, 2001. 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 questioned costs. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of 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 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.

As described in Finding 01-6 in the accompanying schedule of findings and questioned costs, Coachella Valley Unified School District did not comply with requirements regarding OMB Circular A-87 that are applicable to its Child Nutrition Cluster Program. Compliance with such requirements is necessary, in the opinion of the State Controller's Office, for the Coachella Valley Unified School District to comply with requirements applicable to that program.

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, 2001. The results of the State Controller's Office'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 Finding 01-6.

#### 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 are considered to be reportable conditions. Reportable conditions involve matters coming to the State Controller's Office's attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in the judgment of the State Controller's Office, 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 and questioned costs as Finding 01-6.

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 laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The State Controller's Office's 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, the State Controller's Office believes that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the audit committee, 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, Chief  
Division of Audits

November 2, 2001



**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, 2001, and issued its report thereon dated November 2, 2001. In its report, the State Controller's Office's opinion on the combined financial statements was qualified because the general fixed assets account group was not included as required by the accounting principles generally accepted in the United States of America.

Except as discussed in the preceding paragraph, the State Controller's Office conducted its audit in accordance with the auditing standards generally accepted in the United States of America; 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 Education 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>Procedures In K-12 Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study *	13	No (see below)
Continuation education	12	Yes
Adult education	8	Yes
Regional occupational center/programs	5	Not applicable
County Office of Education programs	9	Not applicable

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

<u>Description</u>	<u>Procedures In K-12 Audit Guide</u>	<u>Procedures Performed</u>
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	Not Applicable
Community Day Schools	8	Not Applicable
Class size reduction:		
Option one classes	11	Yes
Option two classes	10	Yes
Option one and two classes	16	Yes
Program to 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	Yes
California Public Schools Library Act of 1998	4	Yes
Computer usage	2	Yes
Office of Criminal Justice Planning	—	Not Applicable

Based on the audit, the State Controller's Office found that, for the items tested, the Coachella Valley Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on the examination, for items not tested, nothing came to the auditors' attention to indicate that the Coachella Valley Unified School District had not complied with the state laws and regulations, except as described in Findings 01-8, 01-9, and 01-10 in the Findings and Recommendations section of this report.

This report is intended solely for the information and use of the audit committee, district management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



JEFFREY V. BROWNFIELD, CPA, Chief  
Division of Audits

November 2, 2001



## **FINDINGS AND RECOMMENDATIONS SECTION**

---

**Blank Page**

## Schedule of Audit Findings and Questioned Costs Year Ended June 30, 2001

### SECTION I—SUMMARY OF AUDIT RESULTS

#### *Financial Statements*

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reporting condition(s) identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? No
- Reporting condition(s) identified not considered to be material weaknesses? Yes

Type of auditor's report issued: Qualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133, Section .510(a)? Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Center:
10.555	School Breakfast Program (SBP)
84.010	National School Lunch Program (NSLP)
84.011	Title 1 Grant to Local Educational Agencies
84.027	Migrant Education
84.287	Special Education
	21 <sup>st</sup> Century Community Learning Centers
84.288	Title VII – Bilingual Education
84.290	Program Development and Implementation Grants
84.318	Comprehensive School Grants
	Technology Literacy Challenge Fund Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$347,766

Auditee qualified as low-risk auditee? No

#### *State Awards*

Internal control over state programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified not considered to be material weaknesses? Yes

Type of auditor's report issued: Qualified

**Blank Page**

# Findings and Recommendations

## Year Ended June 30, 2001

The following 10 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*.

<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

### SECTION II—FINANCIAL STATEMENT FINDINGS

**FINDING 01-1 —  
Record of general  
fixed assets  
incomplete (20000)**

The State Controller's Office determined that Coachella Valley Unified School District does not maintain a complete record of the historical cost of all its long-term property, such as land and buildings relating to general fixed assets.

Upon reviewing the district's financial documents, it was noted that, as in prior years, the district does not maintain a complete record of general fixed assets. This deficiency in recording the general fixed assets is due to the district 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 2002-03 for the district), the district should also begin calculating annual depreciation of these assets. As a result of not maintaining complete records of general fixed assets, the district 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.

This is a repeat finding from the prior-year audit report.

#### Recommendation

The district should maintain complete records of all items with a value exceeding \$500. To comply with *Education Code* Section 35168 and the future implementation of GASB 34, the district must maintain complete records of its fixed assets including land and building listed at historical cost.

### District 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 01-2 —  
Associated student  
body funds: internal  
control deficiencies  
(30000)**

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

- Incomplete forms in the football game ticket sales, graduation night ticket sales, dance disk jockey, cash receipts, and purchase orders.
- Monies deposited and/or paid out for prom, graduation night, and ASB cards did not agree with the 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 appears to be involved with ASB, which has led to noncompliance with regard to documentation and duty segregation.

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 and spent for ASB activities should be reviewed and approved for agreement with supporting documentation, and duties should be properly segregated.

Accountability is not possible due to 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.

This is a repeat finding from the prior-year audit report.

### Recommendation

The district should implement good internal control procedures that include:

- Procedures in which all paperwork or forms prepared by 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.

#### District 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 01-3 — 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 the district personnel time cards were properly approved prior to payroll processing, the auditor tested selected payroll transactions for proper approvals. The auditor found that six of twelve substitute teachers' time cards reviewed, as well as an instructional aide's time card, lacked proper approval 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.

This is a repeat finding from the prior-year audit report.

#### Recommendation

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

#### District 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 01-4 —  
Cash receipts not  
deposited on time or  
consistently (30000)**

The State Controller's Office determined that individual school sites were not timely or consistent in forwarding cash receipts to the district offices. School sites have collected and accumulated library fees and donations but have not forwarded collected fees to the district offices on a weekly basis as required by the district's policy memo to the schools.

As a result of the improper control over cash and cash receipts at individual school sites, checks were not deposited on a timely or consistent basis. Proper internal controls require that funds collected by school sites be forwarded to the district office in a timely and consistent manner. Such procedures help to safeguard assets and minimize errors and irregularities.

This is a repeat finding from the prior-year audit report.

Recommendation

Although library fees and donations were immaterial to the financial statements, the district should ensure that standardized procedures for school-site handling of cash receipts such as library fees and donations are implemented district wide. Necessary training should be provided to ensure that staff are implementing the district's policy.

District 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 01-5 —  
Conflict of interest  
statements not  
obtained (60000)**

The district is not in compliance with its board policy on obtaining and maintaining the conflict of interest statements on an annual basis. In reviewing the personnel files of designated staff, the State Controller's Office noted that the district did not obtain current conflict of interest statements for the Superintendent, three Assistant Superintendents, and the Director of Purchasing.

District policy requires that a signed conflict of interest statement be obtained and maintained on an annual basis for all designated staff. The designated staff members include, among others, the Superintendent, Assistant Superintendents, and the Director of Purchasing.

Recommendation

The district should follow its board policy and obtain signed conflict of interest statements on an annual basis from all designated staff members.



District Response

Agree with the finding and recommendation.

A process will be put in place to remind the appropriate parties periodically to submit the necessary documentation required for conflict of interest statements.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FEDERAL COMPLIANCE**

**FINDING 01-6 —  
Food services:  
certifications not  
signed (30000)  
(50000)**

In the review of the semi-annual certifications, the auditors found that cafeteria fund personnel who are funded from cafeteria fund sources such as the National School Lunch program do not sign semiannual certifications as required by Office of Management and Budget Circular A-87.

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.

Failure to adhere to semi-annual certification requirements may result in the loss of state and federal categorical program funding.

Recommendation

The district should comply with OMB Circular A-87, or the approved substitute system, which requires all employees who are 100% funded from a single federal award, or are funded from more than one federal program or cost objective where at least one of those is a federal program, to sign semi-annual certifications. This can be accomplished by performing a periodic review of records for those employees who charge time to state and federal categorical programs or cost objectives.

District 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 01-7 —  
Incomplete I-9 forms  
(30000) (50000)**

The State Controller's Office noted that U.S. Department of Justice, Immigration and Naturalization Service, I-9 forms were not properly completed for some employees of the district. Of 40 I-9 forms reviewed, 6 forms were improperly completed and 21 forms were not provided to the auditors for review. District policy requires the I-9 form be completed by all new employees.

In addition, the completion of the I-9 form is required by the federal government for all employees, citizens and non-citizens, hired after November 6, 1986, to verify the eligibility of individuals for employment to preclude the unlawful hiring, or recruiting or referring for a fee, of aliens who are not authorized to work in the United States.

**Recommendation**

The district should obtain and maintain complete records with the hiring of its personnel. As the I-9 form is already included among the new employee list of required forms, the district needs to implement procedures that ensure the form is properly completed and maintained in the employees' personnel files.

**District Response**

Agree with the finding and recommendation.

The manual for Personnel procedures will be updated to include the procedures for properly completing I-9 forms. The appropriate staff members will be given instruction on the updated procedures.

---

**SECTION IV—STATE AWARDS AND QUESTIONED COSTS**

**STATE COMPLIANCE**

**FINDING 01-8 —  
Kindergarten longer  
instructional  
minutes (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 noncompliant because the district included a 30-minute lunch period in the total kindergarten instructional minutes. A ruling from the Education Audits Appeal Panel, Case No. 01-04, states that the 30-minute lunch period for the kindergarten class was "noon intermission" and must be excluded from the calculation of a school day. *Education Code* Section 46115 specifically excludes "noon intermission" from the minimum school day.

To receive longer day incentive funding, 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 fiscal year 2000-01 actual minutes offered of 32,155 were 3,845 minutes less than the 1986-87 required minutes.

To receive longer year incentive funding, the district must offer at least 180 days consisting of no less than the required minimum of 180 instructional minutes, pursuant to *Education Code* Section 46200(b). During fiscal year 2000-01, the district offered 173 days at 180 minutes and 7 days at 150 minutes.

The fiscal impact of the deficiency in longer day instructional minutes and in longer year instructional minutes is \$99,708 and \$61,575, respectively, calculated as follows:

Longer Day Penalty - Kindergarten

Fiscal year 2000-01 kindergarten school ADA	1,001.39
Revenue incentive funding factor	x \$ 99.57
Total	\$ 99,708

Longer Year Penalty - Kindergarten

Fiscal year 2000-01 kindergarten school ADA	1,001.39
Revenue incentive funding factor	x \$ 61.49
Total	\$ 61,575

Total Penalty \$ 161,283

The total fiscal impact of the longer day and longer year penalties is \$161,283.

This is a repeat finding from the prior-year audit report.

Recommendation

The district should make provisions with the California Department of Education for the payment of \$161,283 for instructional time penalties.

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

District Response

Agree with the finding.

The district will make provisions with the California Department of Education for the payment of \$161,283. The kindergarten instructional minutes schedule has been revised to allow for 210 instructional minutes to take place in the classroom.

## ATTENDANCE

### **FINDING 01-9 — Kindergarten retentions not in compliance with statutory requirements (10000)(40000)**

The State Controller's Office reviewed the retention agreements of 18 kindergartners who were retained during fiscal year 2000-01. Seven of the retained kindergartners did not have adequate retention documentation. Two did not have retention agreements signed by their parents or legal guardians. Five retained kindergartners had their retention agreements signed by their parents or legal guardians but not near the anniversary date or not on the forms that complied with the CDE pre-approved format.

*Education Code* Section 46300(g) states that, in computing average daily attendance (ADA) of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011 (admission to grade 1 upon completing kindergarten), approved in form and content by the California Department of Education and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than an additional school year.

The fiscal impact of the noncompliance with *Education Code* Section 46300(g) is a reduction of 5.75 ADA or approximately \$25,734 in state funding.

This is a repeat finding from the prior-year audit report.

#### Recommendation

The district should submit a revised J-18/19 P-2 for fiscal year 2000-01 to reduce the ADA by 5.75 as a result of not keeping adequate retention documentation as required by *Education Code* Section 46300(g). The district should establish standard procedures and retention agreements to ensure retained kindergarten pupils have appropriate supporting documents compliant with *Education Code* Section 46300(g).

#### District Response

Agree with the finding.

The district will submit a revised J-18/19 for the fiscal year 2000-01 to reduce the ADA by 6.40.\* The district has implemented the use of retention agreements that comply with Ed. Code 46300(g) for all retained Kindergarten students.

\* Note: The original ADA of 6.40 was adjusted to 5.75 of ADA, based on additional documentation.

**FINDING 01-10 —  
Absences recorded  
as attendance  
(10000)(40000)**

In reviewing reported attendance for Oasis Elementary School, the auditors noted that days of absence were improperly reported as days of attendance. The preliminary review by the auditors indicated that for five out of six schools tested, the sites were properly recording attendance. However, the remaining site, Oasis Elementary School, improperly reported absences as days attended. Consequently, the auditors expanded the testing to 370 of 1,158 absence days and found that 59 (15.95%) absences had been improperly reported. As a result, the district overreported attendance by 1.62 ADA, which equates to approximately \$7,250 in unearned state funding.

According to district staff, this improper recording of absences occurred because the school site does not have adequate staff to ensure that absences are properly recorded.

*Education Code* Section 46010 states that the total days of attendance of a pupil upon the schools and classes maintained by a school district during the fiscal year shall be the number of days school was actually taught for not less than the minimum school days during the fiscal year less the sum of his or her absences.

Recommendation

The district should submit a revised J-18/19 P-2 for fiscal year 2000-01 to reduce the ADA by 1.62 as a result of recording absences as attendance at the Oasis Elementary School. The district should also establish procedures ensuring absences are not recorded and reported as attendance.

District Response

Agree with the finding.

The district will submit an amended J-18/19 for fiscal year 2000-01 to reduce the ADA by 1.62. The district will provide additional training to the staff to insure that the data recorded on the absence logs accurately reflect the attendance data on the signed classroom attendance forms.

**Blank Page**

# Status of Prior Year Findings and Recommendations

Recommendations	Current Status
<u>INTERNAL CONTROL</u>	
<u>Fixed Assets</u>	
Finding 00-1 – Records of general fixed assets incomplete	Not implemented; Repeated as Finding 01-1
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 and impending GASB 34 requirements, the fixed asset records should include land and buildings listed at historical cost.	
<u>Cash Receipts</u>	
Finding 00-2 – Cash receipts not deposited on time or consistently	Partially implemented; Repeated as Finding 01-4
The district should have a written policy to standardize all school sites with respect to handling of cash receipts.	
<u>Interfund Payables</u>	
Finding 00-3 – Prior-year interfund payables not repaid	Implemented
To comply with <i>Education Code</i> 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 with the prescribed time requirements.	
<u>Inventory</u>	
Finding 00-4 – Inventory valuation method not in conformance with GAAP	Implemented
The district should change the valuation method used to account for inventory to a method in conformance with GAAP. The method could be FIFO, LIFO, or weighted average.	
<u>Payroll</u>	
Finding 00-5 – Substitute teachers' time cards lack proper approval	Partially implemented; Repeated as Finding 01-3
Recommendation: The district should enforce internal control procedures for approving substitute teachers' time cards prior to payroll processing.	

Recommendations	Current Status
<u>Vacation Retention Limits</u>	
<p>Finding 00-6 – Vacation retention limits not enforced</p> <p>The district should enforce the one-half year’s vacation allocation carryover policy.</p>	Implemented
<u>Student Body Funds</u>	
<p>Finding 00-7 – Associated student body funds: internal control deficiencies</p> <p>The district should implement good internal control procedures that include:</p> <ul style="list-style-type: none"> <li>◆ 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;</li> <li>◆ Supporting documentation should agree with the completed forms and monies deposited or disbursed; and</li> <li>◆ Yearbook activity should be handled by more than one person so that duties may be properly segregated.</li> </ul>	<p>Not implemented; Repeated as Finding 01-2</p>
<u>STATE COMPLIANCE</u>	
<u>Adult Education Program</u>	
<p>Finding 00-8 – Adult Education Program; deficient course brochures and incorrect course titles</p> <p>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 <i>Education Code</i> and the <i>Adult Education Handbook</i>.</p>	Implemented
<u>Teachers’ Attendance Registers</u>	
<p>Finding 00-9 – Teachers’ attendance registers not signed</p> <p>The district should comply with the <i>Attendance Accounting and Reporting in California Public Schools</i> manual by ensuring that source documents used for attendance purposes have appropriate identifying and certification or approval information, including required signatures.</p>	Implemented
<u>Continuation High School</u>	
<p>Finding 00-10 – Continuation high school attendance overstated</p> <p>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 2.4 ADA for special education pupils at the continuation high school.</p>	Implemented
<u>Excused Absences</u>	
<p>Finding 00-11 – Inadequate documentation for excused absences</p> <p>The district should comply with the requirements of the <i>Education Code</i> and <i>California Code of Regulations</i> for excused absences.</p>	Implemented



Recommendations	Current Status
<u>Attendance Overstatement</u>	
Finding 00-12 – Overstated attendance	Implemented
The district 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.	
<u>Kindergarten Retentions</u>	
Finding 00-14 – Kindergarten retentions not in compliance with statutory requirements	Not implemented; Repeated as Finding 01-9
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.	
<u>Special Education</u>	
Finding 00-15 – Special Education: exceeded caseload limits	Partially implemented; discussed in management letter
The district must ensure that special education personnel caseloads are in compliance with the requirements of the <i>Education Code</i> and the local plan.	
<u>FEDERAL COMPLIANCE</u>	
<u>Special Education – Certifications</u>	
Finding 00-16 – Special Education: certifications not signed	Implemented
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.	
<u>Special Education – Individual Education Plans</u>	
Finding 00-17 – Special Education: late Individual Education Plans (IEP), reviews, and reassessments	Implemented
The district should ensure that the student IEPs, reviews, and reassessments are completed according to the federal regulations and the <i>Education Code</i> .	

Recommendations	Current Status
<u>Technology Literacy</u> Finding 00-18 – Technology Literacy: missing certificates  The district 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.	Not implemented: discussed in management letter under suspension/ debarment certificates

## **Attachment 1— Management Letter**

---

**Blank Page**



**KATHLEEN CONNELL**  
**Controller of the State of California**

November 2, 2001

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

In planning and performing the audit of the financial statements of Coachella Valley Unified School District for the year ended June 30, 2001, the State Controller's Office considered the district's internal controls in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during the audit, the State Controller's Office became aware of several matters that present opportunities for strengthening internal controls and operating efficiency. The following summarizes the State Controller's Office's comments and suggestions regarding those matters.

The State Controller's Office reported on the district's controls in a report dated November 2, 2001, which also disclosed reportable conditions in the district's internal controls. This letter does not affect the report dated November 2, 2001, on the financial statements of the district.

**Suspension/Debarment Certificates**

The prior audit report noted that the district does not have a policy for the procurement of suspension/debarment certificates. The district responded that such certificates would be obtained. Although a covered transaction, as stipulated by the Office of Management and Budget (OMB) Circular A-110, for the procurement of goods or services equal to or in excess of \$100,000 did not occur during fiscal year 2000-01, the policy has still not been adopted.

The district 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.

**Special Education: Exceeded Caseload Limits**

The review of the Special Education program showed that three out of five speech pathologists' caseloads exceeded the 68-pupil caseload limit as specified in the district's local plan for Special Education. A similar condition was also noted in the prior year's audit report. After year-end, in September 2001, the district hired a speech pathologist and the caseload limit was within the local plan requirement.

The district must ensure that the special education personnel caseloads comply with the requirements of the local plan.

District Comments

These items were discussed with district staff on November 2, 2001. District staff agreed with the comments contained in the letter.

Sincerely,

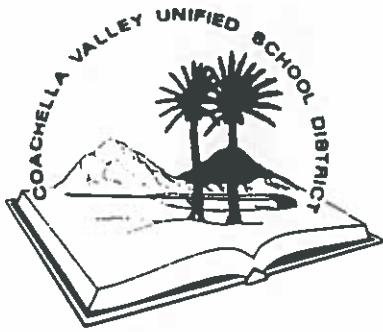
  
JEFFREY V. BROWNFIELD, CPA, Chief  
Division of Audits

**Attachment 2—  
Auditee's Response  
to Audit Report**

---

**Blank Page**





# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

POST OFFICE BOX 847 • THERMAL, CALIFORNIA 92274 • (760) 399-5137

December 5, 2001

Casandra Moore-Hudnall  
Chief, Financial Audits Bureau  
State Controller's Office, Division of Audits  
P. O. Box 942850  
Sacramento, CA 94250-5874

Dear Casandra,

We have received the final draft copy of the State Controller's Office audit of our district. In addition, a cover letter, dated December 3, 2001, from Daniel Pascua accompanied the draft copy of the audit. Mr. Pascua's letter asks for comments to the audit report and that the comments be submitted to you by December 10, 2001.

I have faxed to David Supan our responses to the audit findings which I will also include with this letter. Other than the responses to the audit findings, I have no other comments, therefore, the report may be released as final.

For your information, Mrs. Martha Tureen, Assistant Superintendent of Educational Services, resigned as of September 14, 2001. Effective November 19, 2001, Mr. Robert Bailey was appointed to the position that Mrs. Tureen vacated, and Mr. Richard Alvarez the position of Assistant Superintendent of Administrative Services.

Sincerely,

  
Ray J. Rivas  
Director of Fiscal Services

encl.

c.: Carey Carlson

Coachella Valley Unified School District  
2000-2001 Audit Findings Responses

Finding No.

ATTENDANCE

- 01-1 Absences recorded as attendance (10000) (40000)

**Response:** Agree with the finding.

The district will submit an amended J-18/19 for fiscal year 21000-01 to reduce the ADA by 1.62. The district will provide additional training to the staff to insure that the data recorded on the absence logs accurately reflect the attendance data on the signed classroom attendance forms.

- 01-2 Kindergarten retentions not in compliance with statutory requirements (10000) (40000)

**Response:** Agree with the finding.

The district will submit a revised J-18/19 for the fiscal year 2000-01 to reduce the ADA by 6.40. The district has implemented the use of retention agreements that comply with Ed. Code 46300(g) for all retained Kindergarten students.

INVENTORY OF EQUIPMENT

- 01-3 Records of general fixed assets incomplete (20000)

**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).

INTERNAL CONTROL

- 01-4 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.

- 01-5 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.

STUDENT BODY FUNDS

- 01-6 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.

Coachella Valley Unified School District  
2000-2001 Audit Findings Responses

**STATE COMPLIANCE**

**01-7 Kindergarten longer instructional minutes (40000)**

**Response:** Agree with the finding.

The district will make provisions with the California Department of Education for the payment of \$161,283. The kindergarten instructional minutes schedule has been revised to allow for 210 instructional minutes to take place in the classroom.

**FEDERAL COMPLIANCE**

**01-8 Food Services: certifications not signed (30000) (50000)**

**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.

**01-9 Incomplete I-9 forms (30000) (5000)**

**Response:** Agree with the finding and recommendation.

The manual for Personnel procedures will be updated to include the procedures for properly completing I-9 forms. The appropriate staff members will be given instruction on the updated procedures.

**MISCELLANEOUS**

**01-10 Conflict of Interest statements not obtained (60000)**

**Response:** Agree with the finding and recommendation.

A process will be put in place to remind the appropriate parties periodically to submit the necessary documentation required for conflict of interest statements.

**COACHELLA VALLEY  
UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE  
THERMAL, CALIFORNIA**

**Audit Report**

*Year Ended June 30, 2001*



**KATHLEEN CONNELL**  
California State Controller

December 2001

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

